BUILDING AN AUTHORITARIAN STATE: THE INFLUENCE OF EXTERNAL SECURITY AND FISCAL ENVIRONMENT ON SYRIAN AUTHORITARIANISM

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Building an authoritarian state:
The influence of external security and fiscal environment on Syrian authoritarianism

A thesis submitted for a degree of Doctor of Philosophy

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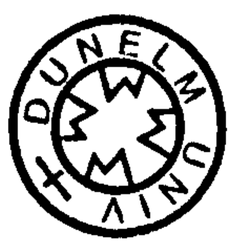

Abstract

In this research I have attempted to answer the question of how the external security and fiscal environment has affected Syrian authoritarianism. Contrary to much previous research that emphasizes domestic factors in leading to a lack of democracy, my hypothesis was that the external level indeed created means for enhancing the authoritarian structures of the state. I studied to which extent war preparation and external resource extraction can be held accountable for changes, especially in the coercive, fiscal and institutional capabilities of the state, and how they influence state power and the autonomy, efficiency and legitimacy of the state.

I demonstrate that during the Cold War, Syria could afford its large war preparation effort by external resource extraction without a need to resort to domestic resource extraction that would have demanded political bargaining and increased political participation. In addition, war preparation assisted in the creation of coercive powers of a security state and the institutional powers of an authoritarian state, the rule of the president, army and the party instead of political institutions. After the Cold War, the external revenues and the fiscal powers of the state actually increased and costs of war preparation decreased, which assisted in maintaining the power structures and in adapting to the new world order without any significant changes domestically. The results of this study from the year 2000 onwards finally show just how vulnerable state power was to the changes in the external environment. Since 2000, external revenues have been at their highest. However, fear of a rapid exhaustion of external revenues, mainly fuel export income, led to a fear of a decline in the fiscal capabilities of the state. This forced the state to adopt a domestic resource extraction campaign by economic liberalization. This turn in economic policies contributed then again to an intra-elite conflict, which weakened the institutional powers of the state. At the same time, the pressure from the external security environment was high, which further affected the state power and enforced the intra-elite conflict. All in all, the capabilities of the state were however such that a fall of the regime was not a concern.

After analyzing the impact of the external environment during these different time periods, I analyze the impact of a number of external actors, their coercive or engaging policies and their direct democracy promotion to the Syrian political system. Here I also offer some regional comparisons. I find that external actors have contributed to the development of semi-authoritarianism at best. In the Syrian case, there was insufficient engagement with the external actors, which would have promoted some semi-authoritarian development. Coercion and isolation have not promoted political liberalization or democratization. However, the deeper engagement with the European Union in 2002-2004 indicated that Syria would indeed have adopted some liberal policies if the engagement had continued. Finally, I review some state strategies to overcome the external influence on state power, and the authoritarian nature of the state. These strategies ensure that the impact of the external democracy promotion remains very minimal in the Arab world.

The main contribution of this study to the field of Middle East research is that it is adding a layer to explaining the causes of authoritarianism in the Arab world by showing the importance of the external level, which has been neglected thus far. This research also develops a conceptual framework for understanding the linkages between the different external factors and a domestic political system. Another outcome is detailed data related especially to fiscal capabilities of the Syrian state. This data is more extensive than any data presented before. With a detailed analysis of the effects of external security and external resource extraction on fiscal, coercive and institutional capabilities of the state as well as the autonomy, efficiency and the legitimacy of the state, the research demonstrates the hypothesis to be correct. The external environment has indeed provided conditions conducive to authoritarianism.

Declaration

I hereby declare that the work presented in this thesis is my own and has not been submitted before for any degree at this or any other university.

Heidi Huuhtanen

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1. Introduction

This research studies how the external environment has influenced the authoritarian state structure in Syria from the presidency of Hafez al-Asad until 2005. The significance of the topic lies in the focus on external variables: thus far, the undemocratic nature of Syria and other Arab states has been seen to have been caused by their domestic political and socio-economic structures. Indeed, previous research has regarded the Arab state-making process since independence as somewhat isolated from their external sphere. This research shows how since the Ba'athist revolution, the external security and fiscal environment of Syria greatly contributed to the resources of the state and gave means for building and maintaining the authoritarian state.

1.1. Tradition of domestic variables in explaining lack of democracy

Analysis of the domestic level has dominated the study on democratization and political liberalization in the Arab world. Within the domestic level of analysis, the explanations for the reasons behind the birth and persistence of authoritarian rule are debated. Research revolves around two schools: that of political economy[1]; and that of political culture[2]. Within these schools of thought, the most dominant explanatory variables for Middle East authoritarianism have been rentierism, socio-economic (class, corporatist) structures, neopatrimonialism and Islam.

The school of political culture guided by Weberian tradition sees values and persisting traditions of thinking in the region as distinctly different from liberal democratic values and therefore explains persisting authoritarianism by means of these guidelines of political culture. In its possibly most

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[1] The classics of the political economics approach include at least Beblawi, Hazem and Luciani, Giacomo (Eds.). *The Rentier State*. London: Croom Helm,1987 and Luciani, Giacomo. *The Arab State*. London: Routledge, 1990.

[2] For political culture approach see for example Sharabi, Hisham. *Neopatriarchy. A Theory of Distorted Change in Arab Society*. Oxford: Oxford University Press,1988. Pipes, Daniel. *In the Path of God: Islam and Political Power*. New York: Basic Books, 1983. Fish, Steven. M. "Islam and Authoritarianism". *World Politics*, Vol. 55, No. 1, 2002, pp. 4-37.

extreme, but common form, the political culture approach sees Islam and its influence as alien to democracy. Based on this, the approach has often been criticized of orientalism and very narrow "textually" based interpretation of Islam that fails to analyze the complex social and ideological reality.[3]

Some claim however, that the aspect of political culture should not be excluded on the basis of this burden of the traditions of the school of political culture.[4] A respected view that can be viewed as belonging to the school of political culture is that of neopatrimonialism, studied for example by Hisham Sharabi. He explains the neopatrimonial feature of a society as follows: "A central psychosocial feature of this type of society...is the dominance of the Father (patriarch), the centre around which the national as well as the natural family are organized. Thus between the ruler and ruled, between father and child, there exist only vertical relations: in both settings the paternal will is the absolute will, mediated in both the society and the family by a forced consensus based on ritual and cohesion...Thus in social practice, ordinary citizens not only are arbitrarily deprived of some of their basic rights but are virtual prisoners of the state..."[5] The political economy school explains this societal feature in terms of socio-economic structures, while the political culture approach explains it in terms of cultural factors. Similarly, the feature of clientelism or patronage, in other words, the existence of patron-client relations and importance of family, clan and sect, all somewhat related to neopatrimonialism, is seen as an important factor explaining political organization. Their sources, however, are analyzed differently by political culturalists and political economists.

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[3] Brynen, Rex, Korany, Bahgat and Noble, Paul. "Introduction: Theoretical Perspectives on Arab Liberalization and Democratization". In Brynen, Rex, Korany, Bahgat and Noble, Paul (Eds.). *Political Liberalization & Democratization in the Arab World. Vol. 1, Theoretical Perspectives*. London: Lynner Rienner Publishers 1995, p. 7.

[4] Hudson, Michael C. "The Political Culture Approach to Arab Democratization: The Case for Bringing It Back In, Carefully". In Brynen, Korany and Noble, *Political Liberalization & Democratization in the Arab World, Vol 1, Theoretical Perspectives*, pp. 61-77.

[5] Hisham Sharabi is quoted in Anderson, Lisa. "Democracy in the Arab World: A Critique of the Political Culture Approach". In Brynen, Korany, and Noble (Eds.). *Political Liberalization & Democratization in the Arab World. Vol 1, Theoretical Perspectives*, pp. 77-93, p. 84.

The school of political economy that is guided by Marxian tradition sees economic and socio-economic structures of a state as the most important factors influencing the nature of the political order. Classically, this approach is a class-based analysis of the nature of state and society. The political economy approach has been further advanced by Giacomo Luciani's concept of rentierism. The Arab states are viewed to varying extents as "rentier states", "in which access to large amounts of externally generated economic resources serves to strengthen state autonomy"[6], which therefore explains their authoritarianism. The rentier nature of the state is also seen to promote patrimonialism. Explaining a lack of democracy solely by rentierism has been criticized of overdeterminism. Empirical analysis has not always been supportive of the simple explanation of rentierism - for example, a degree of political opening has emerged regardless of the fact that the level of rentierism has remained the same.[7] The rentier concept has, nonetheless, been seen as an important feature in explaining lack of democracy.

The large role of a state in the economy is also seen to hinder democratic openings according to the thesis of the liberal theory that purports that economic liberalization will increase political liberalization. The application of the liberal thesis to the Middle East became, however, problematic as the signs of increasing authoritarianism became clearer after some economic structural adjustment programs were implemented in many countries. This has been explained by the observation that political liberalization under conditions of economic liberalization can sustain or re-introduce authoritarianism.[8] Although these structural adjustment programs were accompanied by some political reforms, and elections were widely held,

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[6] Brynen, Korany and Noble, "Introduction: Theoretical Perspectives on Arab Liberalization and Democratization". In Brynen, Korany, and Noble (Eds.). *Political Liberalization & Democratization in the Arab World. Vol. 1, Theoretical Perspectives*, p. 15.

[7] Ibid, p. 16.

[8] Pool, David. "The Links between Economic and Political Liberalization". In Niblock, Tim and Murphy, Emma (Ed.). *Economic and Political Liberalization in the Middle East.* London and New York: British Academic Press, 1993, pp. 40-55, p. 53.

changes were widely perceived as partial.[9] Analytically, the failure to prove that economic liberalization would lead to political liberalization at the same pace in the Arab world has been complicated by the fact that the economic reforms have also been very shallow and very deep structural reforms have not been implemented. Therefore, the impact on political and socio-economic structures has been weak. The failure of the liberal thesis both in practice and as an analytic framework for understanding political development in the Middle East has become at least implicitly acknowledged.[10]

There is also a wide consensus surrounding the belief that the lack of democracy is due to regimes' efficient strategies in holding onto power through coercion, patronage and co-option. Coercion has been implemented by a large domestic security apparatus. Co-option (inclusion in the economic and political benefits of the state) is used in situations in which the regime aims to reach out to new, emerging counter-forces, to negotiate a new socio-economic pact or to adjust to changes caused by economic liberalization. Co-option was carried out in the era of large rent income primarily through the enlargement of the regime's patronage networks by distributing rent. This specific strategy is termed patronage-politics (distribution of benefits and services in return for political loyalty)[11]. As the financial resources of the state were squeezed due to falling oil revenues and a reduction in superpower largesse at the end of the 1980s, liberalization became a more common tool of co-option for the regime. Only the challenge caused by Islamism has been contained by coercion, although some co-option strategies have also been used. Indeed, regimes used controlled or selective

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[9] Brynen, Rex, Korany, Bahgat and Noble, Paul. "Conclusion: Liberalization, Democratization and Arab Experiences". In Brynen, Rex, Korany, Bahgat and Noble, Paul (Eds.). *Political Liberalization & Democratization in the Arab world, Volume 2: Comparative Experiences*. Boulder, London: Lynne Rienner Publishers, 1998, pp. 267-279, p. 271.

[10] Springborg, Robert. "Reviews the book of Kienle, Eberhard. A Grand Delusion: Democracy and Economic Reform in Egypt." *Middle East Journal*, Summer 2002, Vol. 56, Issue 3, pp. 522-523.

[11] Kassem, Maye. *Egyptian Politics. The Dynamics of Authoritarian Rule.* Boulder London: Lynne Rienner Publisher, 2004, p. 3.

economic and political liberalization as "a survival strategy" to co-opt and avoid true economic and political liberalization.[12]

The states that have engaged in this kind of limited political liberalization to a larger extent in addition to fostering an image of having some democratic features, yet remain authoritarian, can be termed semi-authoritarian. Marina Ottaway defines these semi-authoritarian regimes as "ambiguous systems that combine rhetorical acceptance of liberal democracy, the existence of some formal democratic institutions, and respect for a limited sphere of civil and political liberties with essentially illiberal or even authoritarian traits."[13] Such countries should not be seen as following the path of democratization, but as states that have created a more or less stable semi-authoritarian form of government. The democratic features adopted include regular elections, opposition parties, some level of political competition, freedom of speech, a free media, and civil society formation. The authoritarian features include limited opportunities to effect a change of government, ensuring that the ruling party remains unchallenged, weak institutions and little connection between economic and political reforms.

It is most important to remember when observing the regime behaviour of these semi-authoritarian states that their ambiguous character is deliberate. Partial liberalization is controlled and enhances state power. "Semi-authoritarian systems are not imperfect democracies struggling towards improvement or consolidation but regimes determined to maintain the appearance of democracy without exposing themselves to the political risks

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[12] Brunberg, Daniel. "Authoritarian Legacies and Reform Strategies in the Arab world." In Brynen, Korany and Noble, *Political Liberalization & Democratization in the Arab World, Vol 1, Theoretical Perspectives*, pp. 229-260. Moves of democratization are defined here as "expansion of political participation in such a way as to prove citizens with a degree of real and meaningful collective control over public policy". Expansion of political liberalization is defined here as "expansion of public space through the recognition and protection of civil and political liberties, particularly those bearing upon the ability of citizens to engage in free political discourse and to freely organize in pursuit of common interests." The definitions are as quoted in Brynen, Korany and Noble, *Political Liberalization & Democratization in the Arab World, Vol 1, Theoretical Perspectives*, p. 3.

[13] For the definition of semi-authoritarianism as well as the features referred see Ottaway, Marina. *Democracy Challenged. The Rise of Semi-Authoritarianism*. Carnegie Endowment for International Peace, 2003, pp. 3-19.

that free competition entails."[14] For example, in the case of Egypt, "the combination of these strategies [coercion, patronage and co-option] allows for the existence of contained pluralism within an authoritarian regime and permits it to adopt images of liberalization and democratization without actually conceding to such measures."[15] Many Arab states have moved towards some level of semi-authoritarianism, exhibiting at least a formal multi-party system and no true competition for power. Syria, however, has not engaged in political liberalization to any significant degree, and remains clearly at the authoritarian end of the spectrum.

1.2. Explaining Syrian authoritarianism

Syria can accurately be defined as an authoritarian state. It is true to say that Syria has no rule by democratic institutions, multi-party elections, no independent opposition parties, no political competition from outside the party, no personal freedom of speech, no free media and no liberal civil society. The Syrian political system is founded upon the triangular power of the president, the Ba'ath party and the army instead of democratic institutions. The current system of one-party rule has dominated since the coup of 1963, which gave birth to an authoritarian Ba'athist state that consolidated itself by 1970. The presidential powers are more absolute than those found elsewhere in the Arab world. The Ba'ath party organs exist and function in parallel with the representative state institutions, and the party institutions are mostly superior to the state institutions. The power structure is supported by the army. There exists no free political competition in Syria. The elections for president, the People's Assembly, trade unions, local government, and local leaders have consistently been dominated by the Ba'ath party since the 1970s.[16] Basic liberties such as freedom of expression

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[14] Ibid, p. 3.

[15] Kassem, *Egyptian Politics. The Dynamics of Authoritarian Rule*, p. 3. The brackets are added by the author.

[16] George, Alan. *Syria. Neither Bread nor Freedom.* London and New York: Zed Books, 2003, p. 84. Some minor parties are allowed to operate and some independent candidates are allowed by the Ba'ath party to run in elections. The parties that are allowed to exist have to accept the Ba'ath party program and follow the guidelines of the Ba'ath party's congresses. They cannot, therefore, be considered as opposition parties. These parties are

or assimilation do not exist. Political life is also governed by emergency law, which has been in force since 1963. Regionally, Syria stands among the most authoritarian Arab states, together with Libya and Saudi-Arabia. This is clear from the following index of political freedom in the Middle East.[17]

Table 1:

Index of political freedom

Source: EIU

Israel	8.20
Lebanon	6.55
Morocco	5.20
Iraq	5.05
Palestine	5.05
Kuwait	4.90
Tunisia	4.60
Jordan	4.45
Qatar	4.45
Egypt	4.30
Sudan	4.30
Yemen	4.30
Algeria	4.15
Oman	4.00
Bahrain	3.85
Iran	3.85
UAE	3.70
Saudi Arabia	2.80
Syria	2.80
Libya	2.05

How, then, has Syrian authoritarianism been explained? Like Arab states such as Egypt and Iraq, Syria is considered to be a "populist authoritarian" state.[18] This means that it emerged through a revolution forced with leadership of the military and bureaucracy, supported by the middle and

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also forbidden from engaging in most political activities. They remain marginal and oppressed. George, *Syria. Neither Bread nor Freedom*, pp. 87-88.

[17] Economist Intelligence Unit. The indicators used were: election of head of government, election of parliament, fairness of electoral laws, right to organize political parties, power of elected representatives, presence of an opposition, transparency, minority participation, level of corruption, freedom of assembly, independence of the judiciary, press freedom, religious freedom, rule of law and property rights. The study was conducted 2005.

[18] Hinnebusch, Raymond A. *Authoritarian Power in Ba'thist Syria: Army, Party and Peasant.* Boulder: Westview Press, 1990, pp. 1-3, Ayubi, Nazih N. *Over-Stating the Arab State. Politics and Society in the Middle East.* London and New York: I.B. Tauris, 1995, pp. 196-223.

lower classes. The revolution re-formed political elites, classes, political structure and system, but from the top down. The state gained support by supporting "populist" interests, but created authoritarian political systems.[19] The power remained in the hands of the leaders of the revolution, the support in the hands of supporters. Raymond Hinnebusch explains the persistence of Syrian authoritarianism precisely in terms of the origin of the state. According to him, "the state grew out of a populist movement against the upper classes that linked rural intellectuals and army officers, peasants, and deprived minorities, notably the Alawis." The social revolution that the Ba'ath party forced eliminated any social class powerful enough to challenge the state, most notably the industrial bourgeoisie. Following the political economy approach, Hinnebusch views the authoritarian structure as a result of the absence of classes that could challenge the existing political order.[20] The structure of the institutions in the Ba'athist state is another explanatory factor for Hinnebusch. The alliance between party, army and the state and balancing between two major sources of power, the Alawi dominance in security and co-option of Sunni bourgeoisie, is at the core of this structure of power that leaves no independent alliances.[21] Hinnebusch elaborates this view also in his numerous other writings on Syria.[22]

The writing of other scholars such as Volker Perthes is along similar lines. Perthes describes the restructuring of the political system in Syria after 1970 as creating certain structures by coercive and economic means that maintained stable authoritarianism. These structures were institutional (hierarchical organization of the army, party and bureaucracy under the president), corporatist and neo-patrimonial.[23] For him, "Asad's regime may best be characterized as an authoritarian presidential system with distinct

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[19] Hinnebusch, Raymond. *Syria. Revolution from Above*. London and New York: Routledge, 2001, p. 2.
[20] Hinnebusch, Raymond. "Calculated Decompression as a Substitute for Democratization: Syria". In Brynen, Korany, and Noble, *Political Liberalization & Democratization in the Arab World, Volume 2: Comparative Experiences*, pp. 223-240.
[21] Hinnebusch, "Calculated Decompression as a Substitute for Democratization: Syria", pp. 225-227.
[22] Most important of these is Hinnebusch, *Syria. Revolution from Above*.
[23] Perthes, Volker. *The Political Economy of Syria under Asad*, London and New York: I.B.Tauris, 1995, pp. 133-141.

neo-patrimonial traits."[24] Perthes therefore also emphasizes the domestic structures as a reason for stability and durability of the regime and its authoritarianism. He also points out that economic crisis or socio-structural change will not bring political demands because the groups that would challenge the existing order are very weak. Nor would the strongest groups, such as the bourgeoisie, necessarily wish to challenge the regime, so tied are their interests to the state.[25] This analysis coincides with theoretical literature on dominant-class, clientilist, patrimonial structures and co-option strategies as variables in explaining authoritarianism.

Very limited political and economic liberalization has appeared in Syria as in other Arab states, not because of any need to establish a new balance of power with the birth of new socio-economic groups, but as a regime strategy to gain support and co-opt new economic interest groups. According to Hinnebusch, liberalization depends on the ability of the regime to broaden the participation to challenging group(s), in this case the bourgeoisie, without compromising too much with the existing social base or threatening regime security. Hinnebusch notes that the regime has used the strategy of balancing between original social bases and bourgeoisie specifically to resist political liberalization.[26] In addition to using patronage, the opening up of the economy in the 1970s was used by Hafez Al-Asad to consolidate his power and build alliances between the politically privileged Allawis and the economically important Sunni bourgeoisie of Damascus.[27] This economic liberalization was, however, managed in a way that didn't threaten the privileged position of Ba'ath party officials and their allies; in addition, it

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[24] Ibid, p. 133.
[25] Ibid, p. 260
[26] Hinnebusch, "Calculated Decompression as a Substitute for Democratization: Syria", p. 223-240.
[27] Allawis are 12 per cent of the Syrians, a distinct shi'a sect of Muslim religion. Sunnis have traditionally held power of trade in the cities, whereas Allawis have been the rural poor, until the Ba'athist revolution that relied much on the minorities and rural population, especially the Allawis. Later the Ba'ath party has had representation of all different religious and ethnic groups, with a clear over-representation of the Allawi's and under-representation of the Sunnis. Leverett, Flynt. *Inheriting Syria. Bashar's Trial by Fire.* Washington: The Brookings Institution, 2005, p. 2.

allowed them jointly to manage the economy for their own profit.[28] The second opening up of the economy came in the 1990s and was due to economic difficulties, namely the debt crisis following a fall in the external rents. Some political liberalization also occurred. In a classical move of co-option, the number of seats was increased in the Parliament to allow the election of a larger number of independents, who gained access to the state and its patronage.[29] The third phase of economic and political relaxation, which began at the beginning of 2000, has been introduced in a gradual manner, with a view to preserving the balance of power.[30] The context of this last liberalization era is the change of president after the death of Hafez al-Asad and succession of his son Bashar. The liberalization is therefore partially explainable by the aim to consolidate the power of the new president, although the change of president presented a continuation of the regime.[31]

Indeed, there is no period in Syrian Ba'athist history that could be defined as a significant political opening. There has been no meaningful increase in competition for power or political liberalization, including increased freedom of speech and formation of civil society in liberal terms. The periods of political or economic change mentioned may have increased political participation by patronage and co-option, but in the end they all enhanced state power instead of diminishing it. As there are no periods of significant political reform to observe (with the possible exception of political changes around 2003-2005 that will be further scrutinized later in the study), the focus will be on explaining why there were no deeper political reforms. Does the previous research fully explain why Syria has not resorted even to such limited political and economic liberalization that

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[28] Owen, Roger. *State, Power and Politics in the Making of the Modern Middle East* 3d ed., London and New York: Routledge, 2004, p. 119.
[29] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, pp. 402-403, 423.
[30] Perthes, Volker. *Syria Under Bashr al-Asad: Modernization and the Limits of Change* IISS Adelphi Paper, No. 366, 2004, p. 36. Economic liberalization in Syria has been studied extensively. See, for example, Hinnebusch, *Syria: Revolution from Above*. Hinnebusch, Raymond. "The Political Economy of Economic Liberalization in Syria," *International Journal of Middle East Studies*, Vol. 27, No. 3, August 1995, pp. 305-320.
[31] Perthes, Volker (Ed.). *Arab Elites: Negotiating the Politics of Change*. Boulder, London: Lynne Rienner Publisher, 2004, p. 87.

would have lead it towards semi-authoritarian direction along the lines of Egypt and Jordan?

Even if one was to completely accept and follow this hegemonic domestic level argumentation on the lack of political liberalization in Syria, the question remains: What are the resources of regime power to create a strong social base, eliminate previously dominant classes and create strong institutional power structures that resist political upheaval, challenges and pressures of political liberalization? What created the opportunity for the Syrian regime to become and maintain these durable structures of state power and therefore authoritarianism, especially after the 1990s in an age when most other Arab regimes liberalized? The aim here is not to disregard or to repeat these previous works on domestic sources for lack of political liberalization in Syria, but to shed more light on the persistence of authoritarianism by analyzing the extent to which external variables can have explanatory potential. After all, the complex reality is never a product of one or few factors but several levels of factors intervening with each other.

1.3. Potential of external variables

As presented in the previous chapter, the primacy of the domestic level and the lack of explanatory potential of external influence is apparent in existing research on democratization and sources of authoritarianism in the Middle East. Theoretical works on external influence on democratization that compared democratic transitions conclude that international context is the forgotten dimension of democratization. Pridham & Whitehead have theorized this aspect on the basis of comparative examples.[32] Their works

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[32] Whitehead, Laurence (Ed.). *International Dimensions of Democratization: Europe and the Americas.* Oxford: Oxford University Press, 2001. Whitehead, Laurence. "International Aspects of Democratization". In O'Donell, Guillermo, Schmitter, Philippe C. *Transitions from Authoritarian Rule: Prospects for Democracy.* Baltimore: Johns Hopkins University Press, 1986, pp. 3-46. Whitehead, Laurence. "The Imposition of Democracy". In Lowenthal, Abraham F. *Exporting Democracy: United States and Latin America. Volume One: Themes and Issues*, Baltimore: Johns Hopkins University Press, 1991, pp. 234-260. Pridham, Geoffrey. "The International Dimension of Democratization: Theory, Practice and Inter-Regional Comparisons". In Pridham Geoffrey, Herring, Eric and Sanford,

are, however, not particularly applicable to the Middle East, because their focus has been on situations where actual transition from an authoritarian to a liberal democratic political system has occurred, which is not the case in the Middle East. They have also focused largely on the role of actors rather than conditions. Their approach does not offer a meaningful framework through which to analyze external influence on the persistence of authoritarianism in the Arab world.

The lack of systematic application of theoretical frameworks on external influence on the democratization process in the Middle East is logically due to the low level of external influence or actual democratization process in the region. Indeed, although the Middle East has been penetrated by external actors, the impact on domestic systems has been regarded as remarkably small. Syria has been even less subject to direct external influence than many other Arab states, such as Egypt and Jordan. According to Volker Perthes, "Syrian policy-making has been marked by the virtual absence of external interference, that is, by a high measure of national autonomy."[33]

This viewpoint that maintains that there is a lack of external impact is strengthened further still by such findings as the fact that the Arab regimes have not been powerless actors in the process of globalization, and they have been able to restrain and control the effects of external influence in political, economic and social spheres.[34] However, although Syria was not subject to the direct influence of external creditors such as the International Monetary Fund and the World Bank, or a military ally demanding political reforms such as the US, this does not imply that Syria would not have been subject to the *conditions* of its external environment. It is important to consider what kind of domestic effects the external environment, such as the security threat environment and economic environment, has on states.

George (Eds.). Building Democracy? The International Dimension of Democratization in Eastern Europe. London and Washington: Leicester University Press, 1997, pp. 7-29.

[33] Perthes, Volker. "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria". In Heydemann, Steven (Ed.). *War, Institutions and Social Change in the Middle East*. Los Angeles and London: University of California Press, 2000, pp. 149-173, p. 149.

[34] Dodge, Toby and Higgott, Richard (Eds.). *Globalization and the Middle East. Islam, Economy, Society and Politics*. Royal Institute for International Affairs, 2002.

Two theoretical articles have analyzed the influence of the external level on democratization or political liberalization in the Arab world. Gregory Gause focuses on regional influences, namely the influence of the prevalence of inter-state conflict, external rents and transnational identities. He found that the regional level does not appear to bear a significant influence on regimes' decisions regarding political liberalization, although "they can contribute to an explanation of the relative lack of liberal regimes in the Arab world."[35] Gause found in his comparative assessment that if regional effects were high, there was a high level of conflict, external revenues and support for transnational identities, there were no democratization processes. If the regional influences were low, there were some experiments with democratization. However, he sees the domestic factors as "far more important" in explaining democratization.[36]

The domestic level also appears to dominate when studying the adoption of structural adjustment programs that created at least some window-dressing of democratic changes in the region. Mustapha Al-Sayyid has analyzed the amount of external influence on regime decisions to liberalize, particularly focusing on the influence of the International Monetary Fund and World Bank. He found that the very decisions to liberalize were accelerated by external actors, but the rationale was domestic.[37] This view matches with the body of literature on structural adjustment experiences. They were not seen to have been imposed from above by international creditors, such as the World Bank and the International Monetary Fund, but the sources for the turn in development policies are seen to have arisen from domestic economic and political considerations. The "fiscal crisis" explanation underlines constraints caused by rentierism to the state and the need for regimes to adopt structural reforms to solve their debt crisis, caused by a

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[35] Gause, Gregory F. III. "Regional Influences on Experiments in Political Liberalization in the Arab World" In Brynen, Korany & Noble (Eds.). *Political Liberalization & Democratization in the Arab World Volume 1, Theoretical Perspectives*, pp. 283-307, p. 302.

[36] Ibid, pp. 293-294.

[37] Al-Sayyid, Mustapha K. "International and Regional Environments and State Transformation in Some Arab Countries." In Hakimian, Hassan and Moshaver, Ziba (Eds.). *The State and Global Change. The Political Economy of Transition in the Middle East and North Africa*. London: Curzon, 2001, pp. 156-176.

decline in rents at the end of the 1980s. The fiscal crisis, debt crisis and failure in economic development strategies are different parts of the same explanation founded in the political economics approach that stresses domestic reasons for the adoption of economic and political reforms. For proponents of this approach, the fact that countries that were not in the throes of debt crises still adopted structural reforms shows that the Washington consensus was much larger, and the regimes' decisions to adopt neoliberal economic policies were not from their part due to the external pressure exerted by the creditors. The international environment and the hegemony of Washington consensus played a role as provider and formulator of solutions for economic development strategy, but domestic reasons appear to explain the adoption of structural reforms.[38] These explanations for political and economic reforms deriving from domestic political economics have been criticized, however, for their inability to link the rentier nature of the state and the external politico-military environment from which the external rents are generated.[39]

This research seeks to explain the external factors providing the foundations for the stability of the Syrian regime and explain why there were no political reforms when the external environment changed. The main external factors analyzed here are external security and the fiscal environment. These factors have been mentioned as contributors to domestic political systems in earlier research as well, although never systematically studied in a single work of research. Most systematic research has been conducted by Volker Perthes on the effects of war preparation on the Syrian state and society in a broader research project by Steven Heydemann.[40] The Syrian regional and international position has also been viewed as important domestically: Volker Perthes argues that Syrian foreign policy and the maintenance of

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[38] Nonneman, Gerd (Ed.). *Political and Economic Liberalization: Dynamic and Linkages.* London: Lynne Rienner Publisher, 1996, p. 34.
[39] Schwarz, Rolf. *State Formation Process in Rentier States: The Middle Eastern Case.* Paper for Fifth Pan-European Conference on International Relations, The Hague, September 9-11. 2004.
[40] Heydemann, Steven (Ed.). *War, Institutions and Social Change in the Middle East.* Los Angeles and London: University of California Press, 2000.

threat contributed significantly to regime legitimacy.[41] The abovementioned article by Gregory Gause, covers the roles of external threat and finance. The external fiscal environment has possibly been most extensively studied - the importance of this external source of finance is referred to regularly in the Syrian case - but the ways in which these rents influence the political system have not been systematically studied to date.

[41] Perthes, *The Political Economy of Syria under Asad*, p. 264.

2. Conceptualizing external influence on state power

2.1 Development of state power

In this thesis, the external environment is analyzed as a source of both pressures and opportunities for the state-making elites. This perspective emphasizes the existence of an active interrelationship between the domestic and international levels, between which the state acts as a mediator. The focus is on the development of state power and its implication on the development of participation.

The development of state power is linked to a state-making process, in which a state creates legitimate rule over the society. In a state-making process, centralized political authority, integrated national economy and shared political culture develop within the borders of a sovereign state.[42] According to Charles Tilly, in a state-making process, states first try to eliminate both external and internal rivals. They then seek to protect the parties supporting their rule. To do all this they need resource extraction, normally from a population and territory they wish to control. This is done through taxation, which demands the development of administration and state penetration into the society. Resource extraction eventually leads to increased participation. In this way, the state-making process evolves to a legitimate rule of the state over the territory that it controls.[43]

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[42] Mufti, Malek. *Sovereign Creations. Pan-Arabism and Political Order in Syria and Iraq.* Ithaca and London: Cornell University Press, 1996, p. 14. The state's main function has been famously defined by Max Weber as "monopolizing of legitimate violence". Another definition for state is provided by Guanfranco Poggi. For him the state "is perhaps best seen as a complex set of institutional arrangements for rule operating through the continuous and regulated activities of individuals acting as occupants of offices. The state, as the sum total of such offices, reserves to itself the business of rule over territorially bounded society; it monopolizes in law and as far as possible in fact, all faculties and facilities pertaining to that business." Desch, Michael C. "War and Strong States, Peace and Weak States." *International Organization*, Vol. 50, No. 2, Spring 1996, 237-268, p. 240.

[43] Tilly's theoretical approach was first published in Tilly Charles (Ed.). *The Formation of National States in Western Europe.* Princeton: Princeton University Press, 1975. Thies, Cameron G. "State Building, Interstate and Intrastate Rivalry: A Study of Post-Colonial Developing Country Extractive Efforts, 1975-2000", *International Studies Quarterly*, 48, 2004, pp. 53-72, pp. 54-55.

According to Michael Mann, the state enhances its 'despotic and infrastructural powers' to strengthen its power to force state-making. These include the development of a military and police force, as well as building the capacity to penetrate society through taxation, welfare distribution and public investment.[44] State power can therefore be defined as states' ability to do all the above. A strong state would logically be a state that has been able to accumulate power. According to Michael Barnett, state power refers to "the resources available to state managers in their governance of society in relation to societal actors."[45]

Mufti has defined state power as exhibiting three characteristics: autonomy, efficacy and legitimacy. According to him, "autonomy means that state has sufficient coercive and financial resources at its disposal to provide ruling elites with a reasonable degree of insulation from external pressures, enabling them to implement policies that do not simply reflect the interests of the foreign governments or domestic groupings. Efficacy[46] refers to the ruling elite's ability to deploy state power as it seeks to manage and transform society." Legitimacy means for Mufti that, "the state (as opposed to a specific regime) enjoys general societal consent and support. It captures the normative element in state building and identity formation."[47]

According to Charles Tilly, the development of state power naturally leads to a stage in which the state uses its authority to pursue its aims in the society.[48] As previously discussed, the regime uses its coercive and fiscal capabilities in order to consolidate the power of the regime. According to Ayoob, all regimes use coercion to strengthen their statehood, this meaning "to persuade and coerce the disparate populations under their nominal rule to accept the legitimacy of state boundaries and institutions, and the right of the state to extract resources from them, as well as the right of the state to

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[44] Mann is quoted in Mufti, *Sovereign Creations. Pan-Arabism and Political Order in Syria and Iraq*, p. 12.
[45] Barnett, Michael N. *Confronting the Costs of War. Military Power, State and Society in Egypt and Israel*, Princeton, New Jersey: Princeton University Press, 1992, p. 40.
[46] From here on the word efficiency is used instead of efficacy.
[47] Mufti, *Sovereign Creations. Pan-Arabism and Political Order in Syria and Iraq*, pp. 12-13.
[48] Tilly is referred to in Ibid, p. 12.

regulate important aspects of their lives".[49] Central control is therefore a typical stage of state-making. Only after this consolidation of a regime, did a gradual opening of the political system for participation of the masses appear in Europe.

The Arab states all experienced political turmoil after their independence, and some even long periods of coups and counter coups. Regimes began to consolidate themselves from the 1970s.[50] In other words, following competition for the use of state power among different elites in a consolidation phase, state powers were enhanced and the use of these powers was less disputed by competing groups. According to Mufti, this was a result of the identification of strategies that prevented domestic instability and expanded financial resources chiefly the oil boom that allowed state spending. As a result, these states created very long-lasting regimes,[51] such as that which is still in power in Syria today. In other words, the state powers grew to rule society without competition, but also without the ability to fulfil all the functions of the state, thus leaving these states weak. What seems to have appeared is an increase in state power. Following consolidation, the state did not share power with society.

The reason for this difference in the Arab world has been explained, although not systematically studied, by different strategies of war preparation and revenue extraction.[52] Theoretically, both economic and military aspects have been seen to influence the development of state power.

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[49] Ayoob, Mohammed. *The Third World Security Predicament. State-making, Regional Conflict and International System.* Boulder: Lynne Rienner Press, 1995, p. 29.
[50] Hinnebusch, Raymond. "Introduction: The Analytical Framework". In Hinnebusch, Raymond and Ehteshami, Anoushiravan. *The Foreign Policies of Middle East States.* Boulder, London: Lynne Rienner Publisher, 2002, pp. 1-28, p. 12. There is very little research of the process of Arab states becoming 'stronger'. Few studies ponder the issue. See for example Gause, Gregory. "Sovereignty, Statecraft and Stability". In Owen, *State, Power and Politics in the Making of the Modern Middle East.* Dawisha, Adeed and Zartman, William I. (Eds.). "Beyond Coercion: The Durability of the Arab State." Vol 3 in a series by Luciani, Giacomo and Salame, Ghasan. *Nation, State and Integration in the Arab World.* London: Croom Helm, 1987. Zartman, I. William. "State-building and the Military in Arab Africa". In Korany, Bahgat, Noble, Paul and Brynen, Rex. *Many Faces of National Security in the Arab World,* Houndsmills and London: Macmillan 1993, pp, 239-258.
[51] Mufti, *Sovereign Creations. Pan-Arabism and Political Order in Syria and Iraq*, p. 12.
[52] This is very clear especially in Heydemann, Steven (Ed.). *War, Institutions and Social Change in the Middle East.*

War and war preparation have been major explanations in increasing the scope and cohesiveness of a state or as stimulus to state-building.[53] From the economic perspective, states' ability to extract resources independent from the society has been a major explanation in the development of state power. The following chapters will view the theoretical approaches regarding the influence of war-making or war-preparation and external resource extraction on state power.[54]

2.2 Influence of war-preparation on state-making and participation

"Wars made states and states made wars" – Charles Tilly[55]

Based on the European example, Tilly concluded that wars made states. This is because war-waging allows rulers to raise more revenue, and therefore allows them to become stronger. Otherwise, attempts to tax may fail due to internal competition. If there are close substitutes to the ruler, the state has less leverage to extract.[56] According to this logic, states need wars to engage in state-making. Because war enhances taxation, and taxation enhances participation, wars also support the development of democracy.

Clearly the state-making environment was completely different in Medieval Europe than it was in the Middle East of the 19th and 20th centuries.[57] Not

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[53] Desch, "War and Strong States, Peace and Weak States", p. 241.
[54] Resource extraction is of course the major war preparation strategy as well. Here the two are separated in order to take into account the general effect of the economic/fiscal environment that gives considerably important challenges and opportunities for the states and to avoid seeing all resource extraction of an Arab state simply as a function of war preparation.
[55] Tilly, Charles. "Reflections on the History of European State-Making". In Tilly, Charles (Ed.). *The Formation of National States in Western Europe*, Princeton: Princeton University Press, 1975, pp. 3-83, p. 42.
[56] Thies, "State Building, Interstate and Intrastate Rivalry: A Study of Post-Colonial Developing Country Extractive Efforts, 1975-2000", pp. 54-55.
[57] For example the following works have researched the relationship between war and state-making in the Middle East: Barnett, *Confronting the Costs of War. Military Power, State, and Society in Egypt and Israel.* Gongora, Thierry. "War Making and State Power in the Contemporary Middle East". Heydemann, Steven (Ed.). *War, Institutions and Social Change in the Middle East*. Gause, Gregory. *Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States*. Council on Foreign Relations, New York, 1994. Sadowski, Yahya. *Scuds or Butter? The Political Economy of Arms Control in the Middle*

only was the domestic socio-economic and political setting different, but the external environment differed remarkably. The main differences can be found in the relationship between the state and the regime, and in the source of revenue to the states. The clearest difference would appear to be the fact that the statehood of the Arab states - as other developing states - was rooted in international law, and their sovereignty was therefore guaranteed. The external actors had established states to the Arab world. In the Middle East, state-making was more about regime consolidation. In the example of Tilly, state-making was the attempt of the regime to build and consolidate the state. In the Middle East, states with borders and institutions existed, but the regimes were not consolidated. As Heydemann has noted, the resources also differed. In Europe the regimes aimed to build and consolidate states. They used *domestic* financing for war preparation. This contributed to political systems in a democratizing manner. In the Arab world, the state existed and regimes were aiming to establish and consolidate their rule, and unlike the states in Europe, they used *external* financing for war preparation. According to Heydemann, this contributed to the political system in an authoritizing manner.[58]

Heydemann has concluded that it is the external dimension of states' war preparation strategies that is most defining in the Middle East. This is because wars did not lead to increased domestic resource extraction. As a result of the external financing of the war in the Middle East, war preparation did not cause a fiscal crisis and there was no need to bargain with the domestic constituencies. For Heydemann, this explains much of the differences in the state-making process in the Middle East compared to Europe. Heydemann also finds that a high level of external resources correlates positively with the intensity of militarization and authoritarian character of the regime.[59]

East. Brookings Institution, Washington, 1993. Rassler, Karen A. and Thompson, William R. "War making and State Making: Governmental Expenditures, Tax Revenues and Global Wars." *The American Political Science Review*, Vol. 79, No. 2, June 1985, pp. 491-507.

[58] Heydemann, *War, Institutions and Social Change in the Middle East*, p. 12.

[59] Ibid, p. 24.

Another notable difference is the nature of wars themselves. Despite the fact that the Middle East in particular has had a very unstable regional system, the Arab states did not have as threatening an external environment as states in Europe. According to Thies, developing states have not faced existential threats to their statehood or engaged as much in actual war-waging, therefore the states are structurally smaller and internal divisions and instability are commonplace. The regimes did not reap the benefit of uniting the population under the same political culture with the aid of wars. A case study from Africa by Jeffrey Herbst appears to confirm this. As borders of the new states were guaranteed and they faced no serious threats to the statehood, African states became weak. They have inefficient fiscal policies and a poor tax system. By the same token, stronger states developed in Asia as a result of war-waging.[60]

Ian Lustick argues that the reason why "state-making wars" did not appear in the Middle East is that the international involvement contained conflicts and prevented "state-building wars". According to him, the absence of a threatening external environment explains why the states are weak in the Middle East.[61] This difference would lead us to conclude that the lack of wars resulted in persistent authoritarianism in the Arab world because intense war-waging did not create political unity and necessary bargaining with the population. Because the external environment was not as threatening, and the fact that the states engaged more in war preparation then actual war-waging, logically meant that if access to external resources existed, there was no reason for extensive domestic resource extraction and broader participation.

Although it is true that the states in the Middle East did not face an existential crisis due to their internationally guaranteed sovereignty, it can not be said that the security environment was not threatening. The external environment of the Arab states has been dominated by wars or, at best, by

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[60] Thies, "State Building, Interstate and Intrastate Rivalry: A Study of Post-Colonial Developing Country Extractive Efforts, 1975-2000", pp. 57-59.
[61] Lustick is reviewed in ibid, p. 57.

cold peace. In fact, there is a high degree of normalization of the state of war. For this reason, wars in this region must be treated as a state of condition at the core of the Middle Eastern politico-military environment.[62] Concrete decade-long war-waging and the threat of war/war preparation again, then, seem to impact differently on the state-making process and they must be separated in analysis. In this kind of a situation, the need for war preparation has been often defensive rather then offensive. Perthes has researched how Syria, for example, has actually engaged in war preparation with the aim to avoid actual war-waging.[63] Even though this state of condition has not led to continuous, decade-long existential wars, it has borne influence on state-making through the war preparation need against external threat and rivalry. What influence, then, does this kind of external environment have, where war preparation rather than war-waging is prominent?

Empirical studies provide the following conclusions. Thies has argued that external rivalries prompt the state to extract more revenues than it otherwise could, but this has not led to the development of strong states. Thies states that rivalries are indeed not as effective as actual wars for states' fiscal policies and resource extraction.[64] According to him, the states would still benefit from war preparation to their state-making or regime consolidation attempts. The impact can, however, also be contrary. War preparation can be costly and it can render a regime's position unstable. Michael Barnett has analyzed the effects of war preparation on Israel and Egypt, and in both cases wars and threats from the external environment led first to the building of a strong state power before 1967, but after this it was the principle reason for a decline in state power.[65] Both Israel and Egypt experienced a change in government as a result. This, however, can be much due to the costs of actual wars. Barnett discovered that Israel and Egypt used external threat to

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[62] Owen, Roger. "The Cumulative Impact of Middle Eastern Wars". In Heydemann, *War, Institutions and Social Change in the Middle East*, pp. 325-335.
[63] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", pp. 159-165.
[64] Thies, "State Building, Interstate and Intrastate Rivalry: A Study of Post-Colonial Developing Country Extractive Efforts, 1975-2000", p. 68.
[65] Barnett, *Confronting the Costs of War. Military Power, State and Society in Egypt and Israel*, pp. 13, 17.

extract more and had to bargain and give economic rewards to achieve their war preparation aims.[66] The conclusion of Gongora confirms the argument, according to which war preparation can be costly for regime stability. He says that war in the Middle East over-burns the state, which loses its legitimacy.[67] These studies conclude that wars and war preparation can both strengthen or weaken state power.

Obviously the impact of war preparation is dependent on the resources of the state. One can assume that when a state is weak, it needs to resort to participatory strategies in order to regain legitimacy or extract the necessary resources to gain strength. If this is done domestically, it requires participatory strategies.

As regards the institutional effects of war preparation, there are studies that conclude that wars or war preparation can enhance authoritarianism. Thompson argues that frequent participation in warfare tends to concentrate political power within a state because war-making encourages and often rewards more authoritarian approaches to resource mobilization and decision-making. Relatively peaceful regions can facilitate the gradual expansion of the political participation process. According to him, political systems in regions characterized by high conflict will tend to become more authoritarian.[68] Gause has also noted that the larger the size of armed forces, the higher the level of authoritarianism. Gause finds that Egypt, Syria, Jordan and Iraq have been most intensively involved in conflicts, but they have no history of democratic processes, with the exception of Egypt and Jordan that took some steps after the demise of major conflicts.[69]

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[66] Barnett is reviewed in Thies, "State Building, Interstate and Intrastate Rivalry: A Study of Post-Colonial Developing Country Extractive Efforts, 1975-2000", p. 57.
[67] Gongora, Thierry. "War Making and State Power in the Contemporary Middle East". *International Journal of Middle East Studies*, Vol. 29, No. 3, August 1997, pp. 323-340, p. 335.
[68] Thompson William R. "Democracy and Peace, Putting the Cart Before the Horse? *International Organization* 50, 1, Winter 1996, pp. 141-174, p. 144.
[69] Gause, "Regional Influences on Experiments in Political Liberalization in the Arab World", p. 285-286.

To conclude, based on the existing research conclusions, the external security environment appears to have had a fundamental effect on Arab states by establishing the state system, by containing war-waging and by financing war preparation. External actors can also be more concretely involved in influencing the political system or a state by aiding specific regimes or rivalries between competing elites. Wars and war preparation deriving from external threats have an impact on state strength or weakness depending on the level and strategies of resource extraction for war preparation. War preparation can enhance authoritarianism or promote adoption of more participatory strategies. From the previous analysis it can be noted that war preparation may influence the political system by 1) influencing the fiscal policies of the state; 2) concentrating political power; and 3) enhancing the coercive apparatus of the state and promoting militarization, namely role of the army in politics. According to Gause, war preparation affects the state structures in addition by 4) suppressing opposition; and 5) creating greater state control of the economy and limiting the private sector.[70]

Without understating the level of external threat to the Arab states, it must also be considered to what extent the regimes use external threat deliberately for enhancing their power. For example, Tilly himself has said that "governments themselves commonly stipulate, stimulate or even fabricate threats of external war" for their own ends.[71] Considering that the external threat is, as already stated, not directed at the state, as the states' sovereignty is guaranteed by international law and external actors, external threat is in the end directed at the regimes. Considering also that the aim of state-making is to consolidate the regime, war preparation would seem to advance this aim if it dilutes external threat and enhances regimes' domestic standing at the same time. Regime calculations related to their external threats and needs for war preparation should not be excluded.

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[70] Ibid, p. 286.

[71] Tilly, Charles. "War Making and State Making as Organized Crime." In Evans, Peter B. Rueschemeyer, Dietrich and Skocpol, Theda (Eds.) *Bringing the State Back In.* Cambridge: Cambridge University Press, 1985, pp. 169-187, p. 171.

Heydemann argues that war preparation was a means of conscious domestic social control and social mobilization for the regimes: "This strategy binds the process of state building, state institutional formation and organization of state capabilities to the maintenance of a level of threat, sufficient to permit regimes to extract rents from regional and international alliance networks."[72] Perthes has argued that war preparation indeed was a function of state-making in Syria. The building of a security state was deliberate, because it brought social and political benefits, and it was possible to be subsidized by external resources. He says that "...state-building and strengthening of the means of national security can not be separated in Syrian case."[73] Also according to Quilliam, rivalry with Israel was very linked to state consolidation.[74] It can be assumed, therefore, that although the external threat was real, the regional strategic situation was used for domestic control and it has had an impact on the political system.

2.3 Influence of external rents to state-making

"...nature of the sources of the income of the state influences the basic rules of political life in each individual country."[75]

As already mentioned, an important difference to the state-makers in the Arab world compared to the Europeans is that resource extraction has not primarily been conducted domestically, but externally.[76] The Arab states have been dependent on external aid and other revenue in their state-making as Lisa Anderson has noted.[77] The availability of external revenues resulted in a situation in which states did not need to increase domestic taxation. This

[72] Heydemann, *War, Institutions, and Social Change in the Middle East*, pp. 13-14.
[73] Perthes, Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", pp. 150-151.
[74] Quilliam. Neil. *Syria and the New World Order*. Reading: Ithaca Press, 1999, p. 63.
[75] Luciani, "Allocation vs. Production States: a Theoretical Framework", p. 67.
[76] This observation has also been made for example by Heydemann and Schwartz. See Heydemann, *War, Institutions and Social Change in the Middle East*, p. 12 and Schwartz, *State Formation Processes in Rentier States: The Middle Eastern Case*, pp. 23-24.
[77] Anderson, Lisa. "State in the Middle East and North Africa". *Comparative Politics*, Vol. 20, No.1, October 1987, pp. 1-18, p. 10.

conclusion leads to the failure of state-making models based on European experience to explain state-making process in the Middle East, and indeed in any developing country that relies heavily on external aid and rents. External extraction of resources seems to have a clear impact on state powers versus those of the society, and therefore also on participation.

The state that relies on income from abroad, such as oil exports, transportation infrastructure of international relevance and economic, military and political aid (even these often include limits in allocation) is called a rentier state.[78] In the early stage of statehood, most Arab states relied on subsidies from the former colonial powers. Later, many Arab states were able to gain external revenue from oil exportation, which gave states their own resources for state-making.[79] States that did not have oil of their own benefited to various degrees from aid and worker remittances from the oil-rich countries.

In rentier states where income for the state comes from abroad, allocation is the only relationship needed for domestic economies. Luciani has called such countries allocation states, whose "revenue derives predominantly (more than 40 %) from oil or other foreign sources and whose expenditure is a substantial share of the GDP"[80] External revenues strengthen the autonomy of the state and allow it to spend on defence, internal security and an extensive welfare system. These increase the coercive abilities of the state and ability to 'buy' legitimacy by allocation.[81]

In an allocation state, the political game is entirely different to that of a production state, in which the domestic economy is the financial basis for

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[78] Rent is defined as "the income derived from the gift of nature". Beblawi, Hazem,"The Rentier State in the Arab world." In Luciani. *The Arab State*. London: Routledge, 1990, pp. 49-62, p. 85. Worker remittances do not make a rentier state, but a rentier economy, because they are not resources of the state, Luciani, Giacomo. "Allocation vs. Production States: a Theoretical Framework." In Luciani, *The Arab state*, pp. 65-84, p. 72.
[79] Luciani, "Allocation vs. Production States: a Theoretical Framework", p. 66.
[80] Ibid, p. 72. More on different rents, Beblawi, Hazem,"The Rentier State in the Arab world", pp. 87-97.
[81] Brynen, Rex. "Economic Crisis and Post-Rentier Democratization in the Arab world: The Case of Jordan." *Canadian Journal of Political Science*, No. 1, March 1992, pp. 69-97, p. 74.

the state's functions. An allocation state gains more independence, and the gap between state and society can remain wide even as the state-making process advances. According to Lisa Anderson, this is because socio-economic forces do not constitute the political regime as in a production state, but the political regime allocates goods and services based on other grounds than citizens' position in the economy, namely on the grounds that best maintain the power basis of the regime, for example on loyalty, family, tribal or ethnic grounds. States actually created the dominant class by controlling wealth creation and power. Therefore, the state is not dependent on internal economic flows or pressed by a powerful class. The state is also not a battleground for competing economic interest groups who wish to gain most of the domestic economic growth, but a society of groups receiving a varying share of the allocation of the state revenues.[82] Luciani argues similarly, that the aim of the allocation state is not to maximize economic growth, or to have a satisfying economic policy. This way the state does not develop into an accountable servant of societal forces[83] but remains an important economic actor itself, on which the social forces are dependent.

A production state needs taxation to gain resources for state-making. Taxation increases participation, because people guard their economic interests. In an allocation state, taxation is mostly not needed, as already concluded. The higher the amount of rent of the per capita income, the less dependent the states/rulers are on domestic production for revenues and the demands of the citizens.[84] State spending satisfies the economic needs and even competition for state spending does not appear to lead to demands for participation. Despite the fact that state resources are often unequally distributed within society, demands for participation do not seem to increase. According to Luciani, unequal allocation is not a sufficient incentive to attempt to change political institutions.[85] Instead of demanding participation, people are likelier to manoeuvre for more benefits and

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[82] Anderson, Lisa. "A Review of Recent Studies on Oil and State Formation in the Middle East". *Journal of International Affairs.* Vol. 53, No. 1, Fall 1999, pp. 351-354.
[83] Luciani, "Allocation vs. Production States: A Theoretical Framework", p. 71.
[84] Anderson, "A Review of Recent Studies on Oil and State Formation in the Middle East", pp. 351-354.
[85] Luciani, "Allocation vs. Production States: a Theoretical Framework", pp. 75-76.

personal advantage in other ways. Calls for participation do not therefore increase in a state-making process in allocation states. Opposition grows only if the external revenues fall or if the regime can be accused of corruption.[86] Rentierism has been concluded to lead to low levels of participation.[87]

It is noteworthy, however, that rentierism has not been a guarantee for regime security as the cases of Iran and Algeria attest, but according to Gause, it has reduced the need to control political demands for democratization. Rentierism has increased the ability to spend on social groups and coercive apparatus.[88] It has also been argued that neo-patrimonial and clientelist structures, in other words vertical stratification, is enforced in a rentier state. Tribal, sectarian and ethnic cleavages may also become more apparent.[89] When a rentier state becomes the main economic actor, the private sector also becomes tied to the state. These structures tie social groups to the state as they are seeking their share of the government allocation and the entire society is very tied to the state.[90]

If the external extraction declines, and a state faces problems in allocation, regimes need economic and political strategies to overcome this crisis that threatens to rock its autonomy. Regimes have used mixed measures for revenue extraction and political stabilization. First, the regimes aim to build new alliances for external extraction and find new sources of loans, aid, trade opportunities, investments and joint ventures.[91] If income is not guaranteed, then regimes use economic restructuring. According to Barnett,

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[86] Ibid, pp. 65.
[87] See for example the following articles: Luciani, Giagomo. "The Oil Rent, the Fiscal Crisis of the State and Democratization." In Salame, Ghassan. (Ed.) *Democracy without Democrats? The Renewal of Politics in the Muslim World.* London: I.B. Tauris, pp. 130-155. Ross, Michael L. "Does Oil Hinder Democracy?" *World Politics*, Vol. 53, No. 3, April 2001, pp. 325-361.
[88] Gause, "Regional Influences on Experiments in Political Liberalization in the Arab World", pp. 291-292.
[89] Brynen, "Economic Crisis and Post-Rentier Democratization in the Arab world: The Case of Jordan", p. 74.
[90] Knowles, Warwick Malcolm. *Changing Patterns of Rent: State, Private Sector and Donors in Jordan, 1989-2000,* Thesis (PhD), University of Durham, 2001, pp. 14-15.
[91] The rent-seeking mentality has been discussed in broad literature on rentierism. Seeking investments has become an option for foreign revenue in the latest decades by the liberalizing global economy.

accommodational and restructural economic strategies are used if a regime fails to create income for war preparation. The same could be said of a situation in which a rentier state loses a significant amount of its external revenues. Accommodational strategy is a minor adjustment, whilst restructural strategy is a deep, structural socio-economic change.[92] Brand argues that if regimes use a restructural strategy, the state tries "...to create a new mix of agriculture, commerce, and industry, or the introduction of new industries, new attempts at raising revenues and fees, or perhaps cuts in state services and allocations." She argues further that domestic economic reforms are a last resort, due to the possible opposition by powerful groups that can threaten regime security. "So as not to rock the domestic boat, foreign rather than domestic policy options may be the first choice of a regime in dealing with economic crises."[93]

Certainly, in a situation in which external resources are not sustainable and regimes fail to diversify and find new external resources, this will have an effect on budget security and undermine regime security. If external revenues fall and there are no substitutes, domestic resource extraction must be increased, which requires domestic adjustment or restructural strategies to maintain the same level of budget income. Alternatively, state spending must fall, which would have more direct impact on the socio-economic setting of the society and patrimonial structures.

In any case, economic problems that threaten a regime's budget security and its very autonomy constitute a crisis of legitimacy domestically. The inability of the state to provide, allocate and maintain the existing economic benefits will compromise its legitimacy and arouse reactions from political criticism to unrest and direct challenge to the regime.[94] Regimes need to

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[92] Barnett, *Confronting the Costs of War. Military Power, State and Society in Egypt and Israel*, pp. 31-32.

[93] Brand, Laurie A. *Jordan's Inter-Arab Relations. The Political Economy of Alliance Making.* New York: Columbia University Press, 1994, pp. 35-37.

[94] Ehteshami and Murphy have shown how in the event of weakening of the corporatist structures in a liberalizing process, the criticism has increased and protest has been channelled especially through the Islamist parties. Ehteshami, Anoushiravan and Murphy, Emma. "Transformation of the Corporatist State in the Middle East". *Third World Quarterly,* Vol. 17, No. 4, 1996, pp. 753-772.

resort to domestic extraction or adjustment strategies to substitute the lack of revenues and dilute criticism, but the very domestic economic strategies adopted themselves will affect the political scene and can also undermine regime security. For this reason, the economic adjustment or restructural strategies are often insufficient, and regimes also need to resort to political reforms as a means to gain legitimacy. The political strategies can include, for example, broadening the regime's support base by co-option, increasing political participation to include new socio-economic groups either through minimal strategies such as appointments, or for example, through patrimonial structures or representative institutions.

Regimes' strategies in reacting to crises of legitimacy in the Arab countries can be observed in the broad literature that has studied economic liberalization policies and their impact on political participation. We know from the previous studies that economic liberalization has been the main reaction to a fall in external revenues in the 1980s and 1990s. Political strategies have mainly comprised the use of cooption or a minor broadening of representation, such as revitalizing the institution of parliament, as in Jordan in 1989 and Saudi-Arabia in 1991, or increasing the number of seats in parliament as seen in Syria in 1991.

2.4 Regional and international position

The nature of external threats (and need for war preparation) and availability of external revenues (and need for domestic extraction) depend on a state's regional and international position. States' alliances and rivalries, engagement and isolation, influence their ability to dilute the pressures and maximize the benefits of the external environment for securing the state and the regime strategically and economically. They either help or hinder a regime's attempts to increase regime autonomy and suppress opposition.

The needs of states from the external environment depend on the level of state-making. When state-making is in its earlier stages, the domestic needs

are very pressing. According to Ayoob, foreign policy of developing states is very much driven by domestic needs and constraints.[95] Robert Good says similarly, "foreign policy of a new state seeks to effect its international environment in ways favourable to the building of the state and to the maintenance of the regime in power." [96]

Bruce Moon argues that the aim of late state-makers is not to pursue "national interest" - as assumed by the realist school - but rather the interest of the state over the nation. A state's interest is not deeply rooted in the society.[97] Because the powerful economic groups that would drive their independent economic interests are lacking, the state itself has broad economic interests. Indeed, according to Moon, the state has interests that are exactly the same as those of private capital. The state is the main investor and employer. "In an environment where the state is at least as important a determinant of material success as the market, rent-seeking behaviour concentrated on control of the state is a rational response."[98] This serves to protect the regime from competition domestically. The state is not pursuing national interest, maximizing welfare for the society, but rather pursuing the interests of the state. As a result, the state behaves in a way that protects itself from domestic competitors".[99]

For foreign policy this means first that the state attempts to maximize its security and economic gains from the international level to maintain its

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[95] Ayoob, Mohammed. *The Third World Security Predicament*. Boulder: Lynne Rienner Publishers, 1995. For more literature of the domestic level as an explaining factor for foreign policy, see Hagan, Joe D. "Domestic Political Explanations in the Analysis of Foreign Policy." In Neack, Laura, Hey, Jeanne A. and Haney, Patrick J. (Eds.) *Foreign Policy Analysis. Continuity and Change in its Second Generation.* Englewood Cliffs: Prentice-Hall, 1995, pp. 117-144. Müller, Harald and Risse-Kappen, Thomas. "From the Outside In and From the Inside Out. International Relations, Domestic Politics and Foreign Policy." In Skidmore, David and Hudson, Valerie (Eds.). *The Limits of State Autonomy: Societal Groups and Foreign Policy Formulation*. Boulder: Westview Press, 1993, pp. 25-48. Moon, Bruce. "The State in Foreign and Domestic Policy." In Neack, Laura, Hey, Jeanne A. and Haney, Patrick J. *Foreign Policy Analysis: Continuity and Change in Its Second Generation.* Englewood Cliffs: Prentice Hall, 1995, pp. 187-200.

[96] Good, Robert C. "State-Building as a Determinant of Foreign Policy in the New States". In Martin, Laurence W. (Ed.). *Neutralism and Nonalighnment: The New States in World Affairs*. New York: Praeger 1962, pp. 3-12, p. 11.

[97] Moon, "The State in Foreign and Domestic Policy", p. 192.

[98] Ibid, p.196.

[99] Moon, "The State in Foreign and Domestic Policy", pp. 95-97.

independence from society. The regime also uses foreign policy to increase its legitimacy to rule. In addition to war preparation and external revenues, foreign policy can provide the means to enhance national pride, self-definition, domestic unity and the status of the ruler.[100] This often includes ideological devotions, such as anti-colonialism, the Palestinian cause or pan-Arabism. These legitimating attempts become especially important if they include military rivalry or conflict. Moon says that "legitimating appeals come in a variety of forms, often emphasizing an external enemy against whom the state is seen as a unifying force."[101] The third way in which states use foreign policy is therefore to repress domestic opposition. External support against domestic opposition is one aim of foreign policy.[102]

One example of the use of foreign policy and external level for the domestic aims of the states has been provided by theories of unity projects. Mufti has argued that one specific method of using foreign policy against domestic opposition has been unity tendencies, in which sovereign states voluntarily form unities with others. He has showed how numerous unity projects have appeared (although only few have taken place) in the Arab world as a result of the lack of domestic stability of the regimes, in a phase of state-formation, in which states struggled for the maintenance of regimes against continuous coups, and the consolidation of their power. "It is the inability of ruling elites to consolidate their hold of power that has pushed them in a pan-Arab direction in search of legitimacy and support".[103] Unity projects therefore appear to offer one indication of a search for a solution for the domestic political system from the external environment. The usefulness of these projects, according to Mufti, lies in the ability to use the other countries' military, intelligence and financial resources against their own domestic opposition, to use the support for other countries' clients, to justify administrational changes in order to clear opposition representatives from officials, and to create ideological legitimacy and popular support

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[100] Good, "State-Building as a Determinant of Foreign Policy in the New States", pp. 5-8.
[101] Moon, "The State in Foreign and Domestic Policy", p. 193.
[102] Good. "State-Building as a Determinant of Foreign Policy in the New States", pp. 11-12. Moon, "The State in Foreign and Domestic Policy", pp. 194-195.
[103] Mufti, *Sovereign Creations. Pan-Arabism and Political Order in Syria and Iraq*, p. 2.

particularly to counter other challenging ideologies such as communism. After immediate consolidation, the unity projects normally cease.[104]

At such a time when the regimes are not yet consolidated, domestic needs seem to indeed mirror and determine much of the behaviour towards external actors. As state-making advances, Mufti identifies a more "rational" foreign policy that responds increasingly to the external threats over domestic ones.[105] Indeed, the more the ruling elites become independent from society, the more rationally they seem to behave in foreign policy. The rationality of foreign policy and domestic consolidation closely affect each other. In the Syrian case, domestic consolidation was the reason behind the success of Syrian foreign policy after Asad came to power. A higher level of state-building was necessary for Syrian regional aims, but the means for the state-building came from the external environment.[106]

Analyses of Syrian foreign policy have shown it to be rational following the consolidation of Ba'athist power in the 1970s. Before that, the foreign policy was indeed a tool for domestic rivalries.[107] Increasing authoritarianism seemed to greatly advance independent rational foreign policy. Moshe Maoz with his 'Sphinx of Damascus' and Patrick Seale in 'Struggle for the Middle East' were among the earliest advocates of the rational foreign policy model, followed by several works of Raymond Hinnebusch and Volker Perthes. The logic of Syrian foreign policy is perhaps best captured in Hinnebusch and Ehteshami's work on Syria and Iran. They see that Syrian foreign policy has been based on rational responses to the external environment, seeking to accumulate as much power as possible to manage the challenges from regional and global environment. This rational foreign policy can be interpreted as a policy that aims to accumulate power or, if the state is weak, to manage or reduce its

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[104] Ibid, pp. 7-8.
[105] Mufti, *Sovereign Creations. Pan-Arabism and Political Order in Syria and Iraq*, p. 9.
[106] Hinnebusch, *Syria. Revolution from Above*, p. 139.
[107] Ehteshami, Anoushiravan and Hinnebusch, Raymond A. *Syria and Iran: Middle Powers in a Penetrated Regional System.* London: Routledge, 1997, pp. 2-4, 61-62.

vulnerability and maximize autonomy and sovereignty.[108] According to Hinnebusch, the rational nature of Syrian foreign policy was manifested in the scaling down of revisionist policies to suit the regional realities, the consistency in keeping rational goals and in the adaptation of strategies to regional realities.[109] Indeed, in the Syrian case, the foreign policy is seen as an ideal-type of realist foreign policy, given its high level of autonomy from domestic constraints.[110]

There is also a counter-argument, proposed for example by Daniel Pipes, according to which Syrian foreign policy is an ideologically driven revisionist policy that aims to legitimate domestic authoritarianism and challenge the West and moderate regimes in the region.[111] At the core of this argument is a notion that the authoritarian nature of the regime needs a revisionist foreign policy in order to "divert attention from domestic opposition".[112] According to this argument, Syrian interest in waging war against Israel and maintaining the state of war between the countries was not a reaction to the regional environment that was defined by Arab-Israel confrontation, but by Syrian domestic needs. Similarly, for example, the assumed Iranian nuclear drive after the Iraq war is explained by several neoconservative leaning scholars as a product of the need to maintain the power of the regime, rather than as a response to the US military threat and the new security balance in the Persian Gulf region after the fall of Saddam Hussein.[113]

This research follows the rational foreign policy argument and sees Syrian foreign policy responding to the systemic threats dominated by aims to overcome its inherent weakness and manage these threats.[114] It therefore

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[108] Ibid, p. 15. See also Quilliam, *Syria and the New World Order*, p. 9.
[109] Hinnebusch, *Syria. Revolution from Above*, p. 151.
[110] Ibid, pp. 148-149.
[111] Ehteshami and Hinnebusch. *Syria and Iran. Middle Powers in a Penetrated Regional System*, p. 2.
[112] Ibid, p. 16.
[113] Rubin, Michael. "US Perspective on Iranian Nuclear Perspective", 20. March 1996, The Finnish Institute of International Affairs.
[114] For criticism against the ideologically driven foreign policy model, see Ehteshami and Hinnebusch. *Syria and Iran. Middle Powers in a Penetrated Regional System*, pp. 16-17.

rejects the argument that Syrian foreign policy is driven by ideological needs to maintain domestic authoritarianism. The fact that this research views the linkage between external level and internal authoritarianism should not be confused with a domestic driven argumentation along the lines of Pipes. Indeed it is quite the opposite. The research argues that rather than domestic authoritarianism significantly affecting foreign policy, the external environment significantly affects domestic authoritarianism. Hinnebusch and Ehteshami also suggest that "Indeed, it is possible that external conflict may affect the internal politics more than the reverse."[115] This research aims to view how the impact of the external environment, mediated by Syrian rational foreign policy, has affected the Syrian domestic political system in a manner that enforced authoritarianism. One could even go as far as to argue that domestic consolidation was to some extent a by-product, as it was a necessary prerequisite for regional power. Hinnebusch argues that "Asad's power concentration was driven by foreign policy".[116] Syrian domestic weakness in the earlier years was seen as a result of domestic fragmentation. After this fragmentation was overcome, resources could be mobilized to a struggle against Israel. This suggests that the foreign policy was rationally driven, as the aim was to gain regional power. The domestic consolidation was a means to secure regional power, not vice-versa as the ideologically motivated foreign policy would suggest. The fact that the resources for this domestic consolidation came from external rents, as Hinnebusch argues,[117] does not contradict the argumentation that the aim of enforcing domestic authoritarianism was regional supremacy.

It should be emphasized, however, that although Syrian foreign policy is primarily rationally driven, it is not as much so as in developed countries. Hinnebusch and Ehteshami conclude that to date, the Arab states do not behave solely as 'black boxes' as in realist theory in responding to external changes in their foreign policies, but their lower level of state-making in comparison to developed states is very clear in the formation of their foreign

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[115] Ehteshami and Hinnebusch, *Syria and Iran. Middle Powers in a Penetrated Regional System*, p. 17.
[116] Hinnebusch, *Syria. Revolution from Above*, p. 147.
[117] Ibid, p. 147.

policies.[118] The clearest such domestically based factor appears to be economic and fiscal security. This particularly applies to economically weak and dependent states, rentier and allocation states. Luciani sees that for states that depend on external aid for their existence, foreign policy is the primary means of enhancing their power. For Luciani "the only relevant problem to an allocation state is extracting the maximum potential revenue from the rest of the world" implying that because the political legitimacy of the regime is based on allocation, the primary foreign policy aim is to secure the flow of rents for allocation.[119] Laurie A. Brand argues similarly that alliance-building in foreign policy should be seen as primarily motivated by a regime's economic security needs or in Brand's terms 'budget security', that is crucial for regime security.[120] Syria is not dependent on external aid, but the search for economic security has indeed been relevant to Syrian foreign policy. The economic needs should not be over-emphasized, however. Particularly they should not be seen as supreme to maintaining security. Neither does the recognition of domestic economic needs in foreign policy need to contradict the rational foreign policy model. States react to the external security environment and aim to maximize their power, including economic gains. Again, external aid was mainly used to the end of enhancing regional power and forging a successful foreign policy.

In the end, it is not a choice between the one or the other. As David famously put it, regimes have to 'omni-balance' between external and domestic threats and needs.[121] Mohammed Ayoob has expressed similar sentiments.[122] For Hinnebusch and Ehteshami, foreign policy, "far from being irrational functions of domestic politics, reflects some balance

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[118] Hinnebusch, Raymond. *The International Politics of the Middle East*. Manchester and New York: Manchester University Press, 2003, p. 8.
[119] Luciani, "Allocation vs. Production States: a Theoretical Framework", p. 76.
[120] Brand, *Jordan's Inter-Arab Relations. The Political Economy of Alliance Making*, pp. 15-38.
[121] David, Steven. "Explaining Third World Alignment", *World Politics*, Vol. 43, No. 2, 1991.
[122] See his book Ayoob, *The Third World Security Predicament*.

between the conflicting requisites of raison d'état, the maintenance of internal legitimacy, and economic health." [123]

2.5 Framework for research

The aim of this study is to research the influence of the main aspects of the external environment on state power in Syria and to show in which way the external level provides explanatory potential for a high level of authoritarianism or changes in it. The hypothesis of the research is that the external influence has contributed to the development of state power in a way that has prevented the development of participation. The particular aspects studied are external security and fiscal environment and the influence of certain external actors. The impact of the external security environment is taken to mean external threats to the state and regime security and strategies of war preparation. The impact of the external fiscal environment is taken to mean the abilities of the Syrian state to acquire external revenues through foreign trade (oil trade in particular) and economic aid and its effect on regime resource extraction strategies and economic policies.

In addition to the focus on external factors, the originality of the thesis lies also in the methodology. This thesis aims to prove the hypothesis by showing how the Syrian international and regional position affected its war preparation and abilities regarding resource extraction. Secondly, this thesis views the ways in which particular war preparation and resource extraction strategies that Syria adopted enhanced the resources of the state, in terms of the state's fiscal, coercive and institutional capabilities. These resources then again contributed to the strength of the state versus society, and the nature of the political and economic order. State strength is seen to consist of autonomy, efficiency and legitimacy. This conceptualization of the

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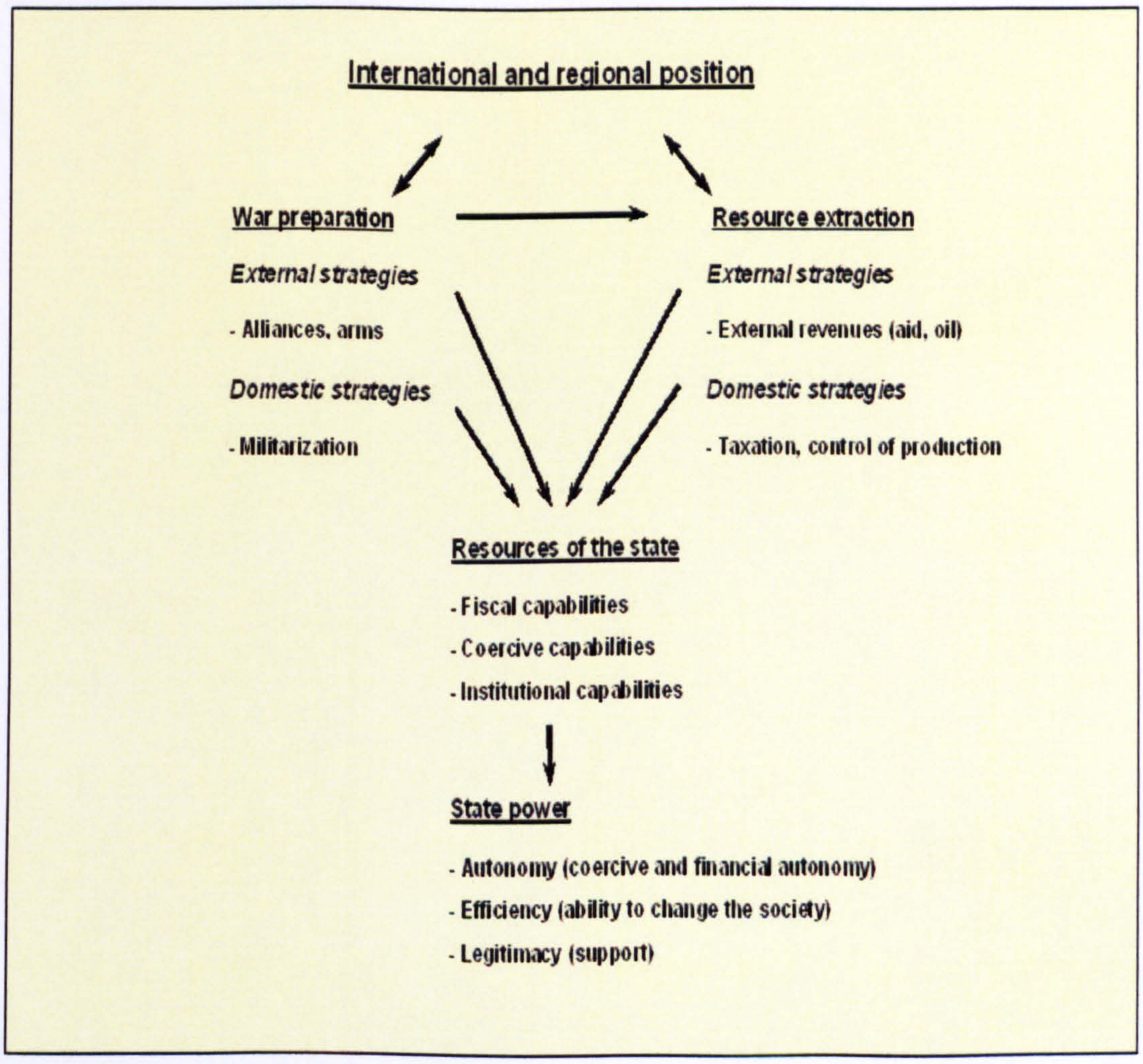
[123] Ehteshami and Hinnebusch, *Syria and Iran. Middle Powers in a Penetrated Regional System,* p. 24.

influence of the external environment on the domestic sphere is original and gives a powerful methodological tool for analyzing the topic.

The impact of the external environment on state power is mapped in the following table:

Table 2:



In the following section the methodology and data related to the analysis of the economy are viewed. The methodology in this research is employed to analyze the importance of external rents to state fiscal capabilities in order to study the amount of external revenues in relation to domestic revenues. As noted, the Arab states rely significantly on external revenue and many of them are to varying degrees 'rentier states'. The following section clarifies

the terminology on rent, rentier economy, rentier state economy and semi-rentier state.[124]

According to Adam Smith, rents are rewards for the ownership of natural resources, including land and minerals. Later, the term has been extended to include "the amount earned that is above the cost of production of the resource/service."[125] The types of rents can be varied and they have different effects on the domestic economy as can be seen from the following table:

Table 3:[126]

Type of Rent	Example	Accrues to State/Private Sector
Portfolio	Dividends, Interest	State or Private Sector
External Capital	Official economic aid	State
Quasi-Rents	(Worker) Remittances	Private Sector
Natural Resources	Oil, Phosphates	State
Locational	Transit Trade	State

A state that relies significantly on external rents has a rentier economy.[127] The rentier economy has three main areas of external rents: oil rent, foreign aid and remittances. The first two directly benefit the state, and the latter the private sector. A state that relies on significant rents from natural resources and foreign aid is a rentier state economy, as these rents contribute to the state. If a state relies mainly on oil rents, it is a 'pure rentier state economy'. If it relies on foreign aid, it is 'an induced rentier state economy'.[128] The

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[124] The following draws largely from Knowles, *Changing Patterns of Rent: State, Private Sector and Donors in Jordan, 1989-2000.*

[125] Knowles, *Changing Patterns of Rent: State, Private Sector and Donors in Jordan*, p. 8, citing Ibrahim, Saad Eddin. *The New Arab Social Order: A Study of the Social Impact of Oil Wealth*. Boulder: Westview Press, 1982, p. 2.

[126] Knowles, *Changing Patterns of Rent: State, Private Sector and Donors in Jordan*, p. 8.

[127] Mahdavy, Hossein. "The Pattern and Problems of Economic Development in Rentier States: The Case of Iran." In Cook, M. A. (Ed.) *Studies in the Economic History of the Middle East. From the Rise of Islam to the Present Day.* London: Oxford University Press, 1970, p. 428.

[128] Knowles, *Changing patterns of Rent: State, Private Sector and Donors in Jordan*, p. 11.

extent of the rentier nature is indicated by a larger sum of non-tax related revenue in comparison to tax revenue. A country can be described as having a full rentier state economy if its external revenues are over 50% of GDP. A semi-rentier state economy has external revenue of around 20-50% of the GDP.[129]

When analyzing the extent and type of rentierism, or fiscal capabilities of the state, significant problems with data occur. Here, the method of analysis is briefly described, the availability and reliability of data, problems related to them and the main sources used.

The chapters on the Syrian international and regional position provide analysis of the economic gains for Syria from the external environment. The ability to gain aid revenues, fuel export revenues, to increase trade and attract foreign direct investments (FDI) are shown where relevant in each time period. Here the gains are presented in absolute terms that provide a more accurate picture of the actual economic gains or losses from the international and regional environment, while later figures are provided as % of GDP in order to analyze and compare them.

The following chapters analyze the effects of the external environment on the fiscal capabilities of the state. Analysis of data on the fiscal capabilities of the state would be more accurate if it were possible to use data on actual revenues and expenditures of the state. This is impossible as Syria does not publish the final revenues and expenditures, only budget figures.[130] Budget figures are provided in the Syrian Annual Budget, available also at the International Monetary Fund, International Financial Statistics and Government Finance Statistics Yearbook. According to Clawson, budget

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[129] This definition is largely used in case examples. See for example Gause, "Regional Influences on Experiments in Political Liberalization in the Arab World", p. 291.

[130] "[Syria] does not publish year-end data reporting actual, as opposed to planned, spending, and offers few details on its debt profile." Economist Intelligence Unit. Country Profile 1999-2000, pp. 16-17. "Budget figures always indicate a balanced budget, and no fiscal outturn figures are published." Economist Intelligence Unit. Country Profile 2002, pp. 15-16.

figures overstate receipts and understate expenditures.[131] The budget also excludes arms imports and its finance from aid, as well as some of the military expenditures.[132] Most importantly, the budget does not include oil-related income.[133] Moreover, planned budget figures are not as telling as the actual revenues and expenditures.

A different approach is therefore taken to estimate the fiscal capabilities of the state and the importance of external revenues. The fiscal capabilities of the state are seen to consist of domestically extracted revenues and externally extracted revenues, which are both estimated separately. External revenues are estimated by counting the annual revenues from fuel exports and foreign aid. Fuel export income is based on figures provided by the World Bank. Foreign aid income is analyzed by using figures from the Organization for Economic Co-operation and Development and the World Bank. These revenues contribute directly to the state and therefore affect its rentier nature. Also, worker remittances based on International Monetary Fund and World Bank figures are estimated in order to see if they make a large enough contribution to affect the rentier nature of Syrian economy. In practice, only the fuel export revenues and aid revenues seem to have been important in Syria and only they affect state power directly, therefore they are used as indicators of external revenues.

Usually the main indicator for foreign aid is Official Development Assistance (ODA) and Official Economic Assistance (OEA) reported by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development, Development Assistance Committee. ODA has been defined since 1979 as

"those flows to developing countries and multilateral institutions provided by official agencies, including states and local governments, or by their

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[131] Clawson, Patric. "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis." *The Washington Institute Policy Papers*, No. 17, Washington 1989, p. 50.
[132] Ibid, pp. 50, 53
[133] "The government does not include in its budget details of revenue from oil, its largest single source of income, or of spending on the military, its largest single item of expenditure." Economist Intelligence Unit. Country Profile 1999-2000, pp.16-17.

executive agencies, each transaction of which meets the following terms: a) It is administered with the promotion of economic development and welfare of developing countries as its main objective, and b) It is concessional in character and contains a grant element of at least 25%." [134]

OEA is a broader concept than ODA. It includes ODA and all official grants and loans that do not comply with the ODA rule of 25% of grant elements and concessionality. Therefore, it includes all International Monetary Fund and World Bank activities that do not otherwise fit within the definition of ODA.

ODA includes different categories of aid. "ODA is not necessarily dispensed as a grant or loan, but can include a number of categories including project aid, programme aid, technical assistance, food aid and emergency or relief aid. Each type of aid can have different effects on the recipient country depending on a wide-ranging number of variables, such as the administrative capabilities of the country and the desirability/ appropriateness of the assistance."[135]

The problems in using ODA or OEA figures is that only DAC member countries are obliged to report their aid to the ODA. [136] Other donors - of which mainly the Soviet block and OPEC/Arab countries are of major interest in the Syrian case - have done it on a voluntary basis. This is often said to be enough to claim that ODA covers all aid that the country has

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[134] Knowles, *Changing Patterns of Rent: State, Private Sector and Donors in Jordan*, p. 26.
[135] Ibid, p. 44.
[136] "Members of the Organization for Economic Cooperation and Development and Development Assistance Committee are not synonymous. The DAC developed from the Developmental Assistance Group (DAG), which was formed in 1961. The original DAG members were Belgium, Canada, France, Federal Republic of Germany, Italy, Japan, The Netherlands, Portugal, United Kingdom, United States of America, and the Commission of the European Economic Community. They were joined by Austria, Denmark, Norway and Sweden to create the DAC in 1965. Since then the members have been joined by Australia (1966), Switzerland (1968), New Zealand (1973), Finland (1975), Ireland (1985), Spain (1991), Luxembourg (1992) and Greece (1999). Portugal withdrew in October 1974 and rejoined in 1991." Organization for Economic Cooperation and Development, "DAC Members, Date of Membership, and Their Aid at a Glance", Organization for Economic Cooperation and Development website.

received. However, all aid is clearly not reported. The difference in reporting of the aid figures is apparent if one compares the aid figures provided by the DAC and national governments that have received aid from OPEC countries or the Soviet block. For example, in the Jordanian case, the difference in Arab aid figures between the Organization for Economic Cooperation and Development, Development Assistance Committee and Jordanian Central Bank during the period of 1967 to 1973 is around 320%, total aid according to Organization for Economic Cooperation and Development being 47.4 million JD and 201.1 million JD according to the Jordanian Central Bank.[137] In the Syrian case, comparison with official government figures is not possible, as they are not reported. It can be assumed, however, that all the aid that Syria received has not been reported to the Organization for Economic Cooperation and Development. According to Clawson, at least Soviet aid is not listed in Organization for Economic Cooperation and Development data.[138] On the other hand, the figures are also largely estimates and subject to political motivations and therefore not entirely reliable. The problem in reporting is also acknowledged by the DAC.[139] There is also a problem related to the demand of concessionality in ODA. Aid that is defined as falling within the ODA criteria has to be concessional. However, it is largely known that the aid from the Arab countries and agencies and from the Soviet Union was not concessional in the spirit of the definition of the Organization for Economic Cooperation and Development. Despite these shortcomings, in this research, ODA figures are used to indicate the amount of foreign aid that Syria received

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[137] Comparison of figures is done by Knowles, *Changing Patterns of Rent: State, Private Sector and Donors in Jordan*, p. 28, based on the sources of Organization for Economic Cooperation and Development, International Development Statistics, CD ROM 2000 edition, (Paris: Organization for Economic Cooperation and Development) and Annual Report, (Amman: Central Bank of Jordan).

[138] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis." p. 54.

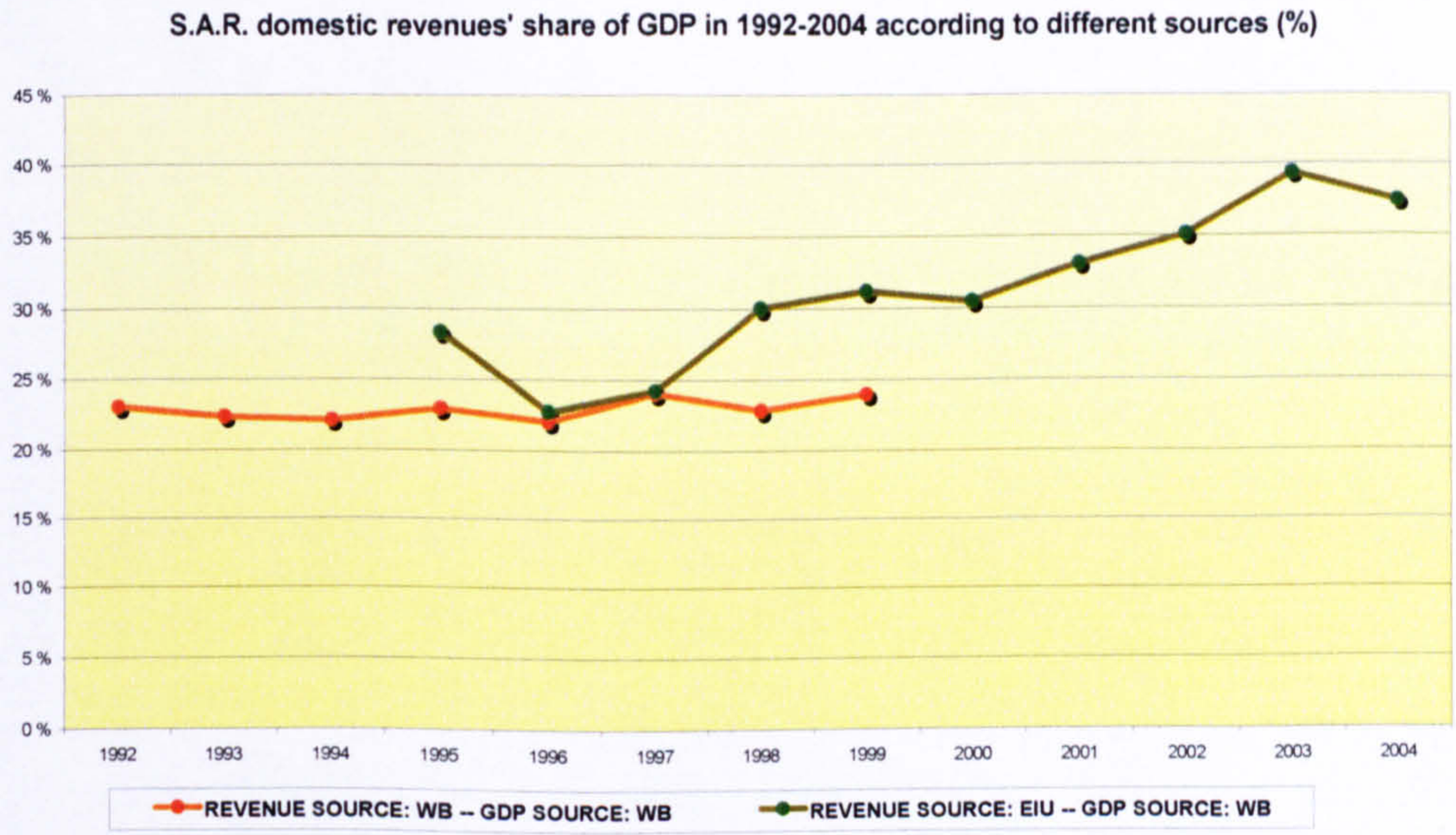
[139] E-mail correspondence with Ann Zimmerman, DAC, Organization for Economic Cooperation and Development 7. November 2006. According to Zimmerman, currently the Arab donors that report their aid to Organization for Economic Cooperation and Development are Arab Bank for Economic Development (BADEA), Islamic Development Bank, (ISDB), OPEC, Kuwait, Saudi Arabia and United Arab Emirates. However Zimmerman says that there have been problems in reporting even during the latest years with these donors. Notable is that donors such as Qatar are not reporting to Organization for Economic Cooperation and Development even today. Of the earlier years there is no detailed information.

1970-2005, as the figures by DAC are the only systematic and existing source of information. The figures are, however, assumed to be underestimations. The aid is also not considered concessional to the extent that it would diminish the ability of the state to benefit from the aid directly. Figures related to fuel export revenues are based on data from the World Bank, OPEC and International Energy Agency.

The estimation of domestic revenues is also problematic. First of all, the figures are again not actual revenues but from the budgets. Until 1999, the figures are based on World Bank figures, "total domestic revenues excluding grants".[140] Although according to the World Bank definition rents are included in this figure, aid and fuel export income are not assumed to be included in these estimations as discussed earlier. Since 1999, the Economist Intelligence Unit has been used as a source of information on government revenue. They rely on different Syrian government sources for their data (Central Bureau of Statistics; Ministry of Finance statements: Official Syrian government finances, budget outturn, Revenue, Syrian Bureau of Statistics, Statistical abstract: Government finances, Revenue). The reliability of any revenue data was discussed earlier. In addition, there is a problem of difference in the figures of the World Bank and the Economist Intelligence Unit. If compared, Economist Intelligence Unit (that has figures since 1995) had higher figures since 1997, as the table below indicates. In spite of this, Economist Intelligence Unit figures have been used since 2000 for estimating the domestic revenues in the absence of other systematic data. Oil revenues are not included in Economist Intelligence Unit figures. It is not clear if ODA is included, but it is assumed here that it is not included. ODA to Syria from 2000 has been less than one per cent, which renders the discrepancy small.

[140] "Revenue is cash receipts from taxes, social contributions, and other revenues such as fines, fees, rent, and income from property or sales". Grants are also considered as revenue but are excluded here. International Monetary Fund, Government Finance Statistics Yearbook and data files. World Development Indicators (Edition: April 2006).

Table 4:



Already, the method of analysis starts from aiming to create estimations. This is also necessary because of the assumed inaccuracy of the data. Where possible, the results of the analysis of the data are always compared to the existing estimations in the secondary sources. Generally, the economic data is relatively extensive on Syria. Patrick Clawson estimates in his first, and this far only, available comprehensive analysis on Syrian aid and military expenditures that the data available is as extensive as in middle level income countries generally. By 1989 he also finds no evidence of extensive manipulation of data for political purposes. As a proof of this, he points out that Syria has used a strategy of systematic and extensive publishing of data, instead of selective sample type of publishing. The systematic data does not appear to be manipulated, according to Clawson.[141] On the other hand, the Syrian Country Profile by the Economist Intelligence Unit argues that, for example, since 2001 has Syria overstated the domestic oil production figures in order to hide the illegal Iraqi oil imports.[142]

[141] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 50-52.
[142] Economist Intelligence Unit, Country Profile 2003, pp. 33-34.

Overall, the data used in this research is not treated as fully accurate, rather as best estimates. Although detailed figures are used in this research, they are used in order to show trends and estimations.

To analyze the extent of war preparation, data on military expenditures by Syria (based on figures by SIPRI) and arms imports to Syria (based on figures from the World Bank) are collected and translated into % of GDP in order to add them together to show an estimation of total military expenditure and in order to compare this figure with the estimated external revenues, domestic revenues and total revenues if counted by adding external and domestic revenues. This way, the extent of militarization can be shown. The financial burden to the fiscal capabilities of the state is also shown. Particularly, the amount of the total military expenditure funded by the external revenues can be shown. It is assumed that the military expenditures do not include figures related to security sectors other than the army.

The analysis of the rentier nature and fiscal resources of the state is then put into a context of economic strategies of the regime and the overall economic environment. The rentier features of Syria are analyzed, as is the overall autonomy of the state from the society and domestic resource extraction.

In addition to this analysis of the fiscal capabilities of the state, based on economic data, coercive and institutional capabilities are analyzed in every time period in focus. The development and maintenance of the coercive apparatus, meaning the military, intelligence and police, is studied both in figures and as an important pillar in the political system.

Similarly, the other pillars of authoritarianism, the role of the party and the president, are analyzed, as well as the level of authoritarian and any liberal and democratic developments. This way, the effect of war preparation, the security environment and the external resource extraction on institutional capabilities is studied.

This provides the basis for the analysis of the autonomy, efficiency and legitimacy of the state. In the time period from the 1970s to 2000, the focus is mainly on state autonomy, because the strength of the state's autonomy during that period brought with it efficiency and legitimacy. However, since 2000 there has also been a greater focus on efficiency and legitimacy as state autonomy declined, and some questions arose regarding the efficiency and legitimacy of the Syrian state.

This research focuses on three different time periods. First, an analysis is made from the rise of the republic of Hafez al-Asad to the end of the Cold War at the end of the 1980s. The Syrian gains from its strategic environment, the impact on fiscal powers and the impact on coercive powers and state-building are analyzed in chapter 3. Chapter 4 analyzes the post-Cold War era from 1990 towards the end of the era of Hafez al-Asad in 1999, much defined by regional peace-making. It focuses on the effect of the regional changes on the Syrian regime's fiscal and coercive powers and state structures. The last era in focus in chapter 5 is the era of President Bashar al-Asad from 2000 to 2005, a time period defined by growing external pressure and coercion. The chapter seeks to analyze the effects of the tense strategic environment on the regime and its fiscal and coercive powers and the political system.

Thus far, the external environment has been viewed as a set of conditions in which states operate. Chapter 6 analyzes the impact of some chosen external actors to Syrian political system. It will also view the strategies of the Arab regimes in general and the Syrian regime in particular to overcome the effects of the external actors and their policies of democracy promotion. In Chapter 7, the results of the research are concluded.

In the end, it bears note that by no means does this research aim to claim to build a comprehensive presentation on how the external environment has impacted the Arab states, or Syria in particular, and their political systems. Rather, some of the most important aspects of the general external environment are selected and studied. Particularly, this research leaves the

cultural aspects and diffusion of values aside, as well as the effect of international actors and international and non-governmental organizations, including the United Nations, the World Bank and the International Monetary Fund, which have had the most significant effect on state power and state-society relations in the Arab countries, less so however in Syria.

3. External influence on Syrian authoritarianism during the Cold War

3.1 International and regional gains and pressures

This chapter reviews the main external pressures and opportunities for Syria between 1970 and 1990 and studies the way in which the Syrian regime used the external environment to maximize its security and financial benefits. During this era, the Syrian external environment was defined by intense military rivalry and the aim to regain the lost territory in the 1967 war with Israel. The military rivalry and the political aim to regain territory were the basis of Syrian foreign policy for decades to come and they also defined the direction of Syrian domestic politics. During this period, Syria grew from a weak state vulnerable in the face of regional conflicts and external pressures into a state that had an important role in the region both politically and militarily. At the same time Syria, overcame its domestic vulnerability, and decades of changing regimes was substituted by the authoritarian rule of the Ba'ath party and President Hafez Al-Asad. This chapter analyzes the gains and losses from the external security and fiscal environment for Syria that are argued to be at the core of the build-up of the authoritarian state.

From independence, the Syrian external security environment was extremely threatening. Syria's regional and international position was defined by weakness in the face of extra-regional powers and regional conflict. The influence of the old colonial powers continued to be strong and the weak new states in the region suffered from numerous coup attempts aided by extra-regional superpowers or neighbouring states. In addition, the establishment of Israel in 1948 and the Arab-Israeli conflict that followed formed the foundation of the security politics of the region. The dynamics of the security politics changed, however, ahead of the rise of Hafez al-Asad to power. More recently, from the 1960s, the presence of the Cold War superpowers complicated the regional security politics. More

importantly, the war of 1967 with Israel changed the borders of the region. It created an Arab quest for regaining the lost territories and to balance the Israeli military power. This created an enormously threatening external security environment. Indeed, Syria was involved in Arab-Israeli wars in 1967, 1970, 1973 and 1982. The Arab-Israeli conflict also erupted in the form of several asymmetric conflicts affecting Syria at least indirectly. Syria was directly involved in asymmetric conflicts in Lebanon from 1976, as well as in the Jordanian-Palestinian conflict in 1970. Aside from actual wars and asymmetric conflicts, all states in the region, Syria included, were involved in military rivalries and rivalries of regional hegemony. As a result, the Syrian external environment was very much defined by war preparation and war-waging.

Syrian foreign policy from 1970 was about gaining more regional power to manage the threats from the external environment, promote sovereignty and to challenge the Israeli regional position.[143] The aim to gain regional power is a logical consequence of a rational foreign policy, according to which in an anarchical world order, states aim to acquire power and balance against the attempts of other states to extend their dominance. Regional power accumulation was especially motivated by the Arab-Israel context, to rival Israel and the inter-Arab context, to rival for Arab leadership. Gaining regional power was also motivated by the aim to increase sovereignty and reduce dependence on the international level, a chronic problem of weaker third world states.

External security and fiscal environment in the context of the Cold war

The aim to promote regional power was achieved through the building of international and regional alliances for security and resource accumulation. Building meaningful international alliances was possible because of the

[143] For more, see for example Hinnebusch, Raymond. "The Middle East Regional System". Hinnebusch, Reymond and Ehteshami, Anoushiravan(Eds.). *Foreign Policies of the Middle East States*. Boulder: Lynne Rienner Publishers 2001, pp. 29-55.

Cold War. The Cold War affected the region in two major ways.[144] On the one hand, the Cold War prevented wars and maintained the status quo, and therefore maintained the conflicts and prevented state-making wars. On the other hand, Cold War rivalry allowed the states in the region to acquire alliances, aid and means for war preparation, which intensified existing conflicts.

The superpowers made great efforts to prevent wars in the region. The superpowers contained expansionist states and much of the actual war-waging in the region.[145] The clearest example of this was the unwillingness of the Soviet Union to arm the Arab states, especially Syria and Egypt, sufficiently in order to allow them to overcome Israeli military force by giving sufficient means for war-waging.[146] This allowed the status quo and military rivalry to continue. Although the Cold War did not define the security politics of the region, the impact of the superpowers was substantial, as has been the impact of all external actors influencing the Middle East.[147] The external powers legitimized the states and regimes as well as the state system. This, in addition to the prevention of actual war-waging, ensured that state-making wars did not take place.

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[144] The Cold War has been said to have influenced the Middle East, but the impact should not be exaggerated. Sayigh and Shlaim (Eds.), *The Cold war and the Middle East*. The same has been argued by Brown in Brown, Carl. L. *International Politics and the Middle East: Old Rules, Dangerous Game*, London: I.B. Tauris, 1984. For a Cold War history of the Middle East, see also Gerges, Fawaz A. *The Superpowers and the Middle East*, Boulder: Westview Press, 1994, Taylor, Alan. *The Superpowers and the Middle East*, Syracuse: Syracuse University Press, 1991 and Lesch, David W (Ed.). *The Middle East and the United States: A Historical and Political Reassessment*, Boulder: Westview Press, 1996.

[145] According to Kinsella and Tillemma, arms transfers did not have significant impact on conflicts in the region. Kinsella, David and Tillema, Herbert K. "Arms and Aggression in the Middle East: Overt Military Interventions, 1948-1991". *The Journal of Conflict Resolution*, Vol. 39, No. 2, Jun. 1995, pp. 306-329. For example the Soviet Union preferred 'a no war, no peace' situation. Shlaim, Avi. "Conclusion", In Sayigh, Yezid and Shlaim, Avi (Eds.), *The Cold War and the Middle East*. Oxford: Clarendon Press, 1997, pp. 279-293, p. 282.

[146] Seale, Patrick. "Syria". In Sayigh and Shlaim, *The Cold War and the Middle East*, pp. 48-77, pp. 57, 67.

[147] The influence of the Cold War on the Arab-Israeli sub-region, as on the region as a whole, was not very significant as a generator of wars, conflicts and rivalries. Threats were generated and experiences mostly at the regional and domestic level. The Cold War had indeed less impact on the Middle East than other regions. As Fred Halliday put it, conflicts and revolutions in the region were the context for the superpower competition in the Middle East not vice-versa. Halliday, Fred. "The Middle East, the Great Powers, and the Cold War". In Sayigh and Shlaim. *The Cold War and the Middle East*, pp. 6-26, pp. 16-17.

The Cold War did, however, intensify the already existing regional disputes and rivalries.[148] This is particularly the case with the Israel-Arab conflict, in which the superpowers were involved by arming the competing sides. Syria gained significantly from superpower rivalry by being able to manipulate for aid and deterrence.[149] Other states in the region also gained significant economic and military benefits from external actors. According to Shlaim & Sayigh, "far from being only the passive 'receivers' of superpower dictates, the local actors also exerted an active influence on the course of the Cold War..."[150] Almost all cases in their edited volume illustrate the relative advantages that the domestic elites were able to gain from the international level. Regional actors pursued their interests conditioned by the context of the Cold War. At the same time, superpowers provided arms, gave economic aid and promoted their ideologies to maximize their influence.[151]

Syria benefited from the Cold War environment and was able to increase its regional power through alliance with the Soviet Union and alliances based on pan-Arab credentials. The alliance with the Soviet Union superpower brought 1) military security; 2) ability to engage in military rivalry; and 3) economic resources. All these affected the fiscal and coercive powers and legitimacy of the Syrian state, and were bound to also have a domestic impact. Before arguing how the Soviet relationship affected the Syrian regime, some analysis is needed of the history and debt of the relationship.

The Syrian-Soviet alliance has been defined by Seale as having an initial honeymoon phase 1954-1958 and a marriage with ups and downs from the mid-1960s to the mid-1980s.[152] Soviet interest in the Middle East increased as a result of a need to contain the perceived threat from the American Baghdad pact from the mid-1950s. This resulted in the creation of "a Northern tier" of Turkey, Iran and Afghanistan and alliance with possible

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[148] Dawisha, Adeed. "Egypt", In Sayigh and Shlaim (Eds.), *The Cold War and the Middle East*, pp. 27-47, p. 46.
[149] Hinnebusch, *Syria. Revolution from Above*, p. 153.
[150] Sayigh, Yezid and Shlaim, Avi. "Introduction". In Sayigh and Shlaim. *The Cold War and the Middle East*, pp. 1-6, p. 5.
[151] Ibid, pp. 5, 279-281.
[152] Seale, "Syria", p. 49.

Arab countries, Egypt and Syria being most important of them. Syria was interested in a closer Soviet alliance as a result of its insecure position regarding its neighbours and domestic challengers. In addition to the Israeli threat, Syria needed protection, particularly against Turkish and Iraqi threat, and was indeed able to secure itself from possible military intervention by means of the announcement of Soviet military support for Syria in 1955 and 1957. The relationship became more intense from the 1966 coup within the Ba'ath party, when the left wing seized power and approached the Soviets. The Soviet Union wished to safeguard the first left-wing Ba'athist regime for strategic purposes. [153]

Hafez al-Asad was, however, very critical of close relations with the USSR. Soviets were originally distrustful of his regime. However, after the initial crisis in relations, Asad convinced the Soviets of Syria's domestic and foreign policy and the countries' cooperation intensified significantly.[154] The Syrian-Soviet alliance was not totally exclusive, although in practice the relations to the Western sphere remained few.[155] In the mid-1970s, Syrian and Soviet ties intensified also due to the fact that Egypt was allying with the US and had signed a peace agreement with Israel.[156] Syrian domestic instability towards the end of the 1970s also bore a significant impact on Syria's urge for intensified relations with the USSR.[157] In other words, Syria needed protection from external and domestic threats. In this context, Syria signed a Friendship and Cooperation Treaty with the USSR in 1980 after long rejecting such formal agreements.[158]

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[153] The USSR declared in 1955 that it was to guard Syrian sovereignty and independence. Syria received Soviet arms from 1955 and the parties signed economic and technical agreement in 1957. Seale, "Syria", pp. 53-55, 58.

[154] Karsh, Efraim. "The Soviet Union and Syria. The Asad Years." *Chatham House Papers*, The Royal Institute of International Affairs, London and New York: Routledge, 1988, pp. 3-9.

[155] Syria and the US cut diplomatic ties after the war in 1967 but there was a rapprochement in 1974. During a rare visit of an American President to Syria, the US also gave Syria 100 million dollars in aid. Seale, "Syria", pp. 69-71.

[156] Karsh, "The Soviet Union and Syria. The Asad Years", pp. 19-20.

[157] Ibid, p. 47.

[158] The agreement was accompanied with significant economic aid by writing off 500 million dollars of debts and largest military aid package that far. This started the more intensive Syrian military build-up. Politically, the Soviet commitment to Syrian foreign policy was however lowering. The USSR aimed to contain Syria, for example, in the crisis

The downhill slide of the marriage began with the Lebanon war 1982-1984. From this point on, Syria began to slowly lose its position as an exclusive ally, and the USSR became closer to Egypt and Jordan. This had a negative effect on Syrian regional power. The USSR also conditioned military and economic aid for the first time with supporting aims for peace in the region.[159]

The relationship has been defined by Karsh as the one of strategic interdependence, where Syria was not a client, but the Soviet Union was not pulled by the Syrians either. Clearly, Syria got more out of the relationship.[160] It should be noted that the Syrian alliance with the Soviet Union was not simply a result of Cold War divisions in world politics. The alliance was not of crucial interest to the USSR in the Cold War rivalry. Moreover, the alliance - as many other alliances in the Middle East during the Cold War - was formed to serve the purpose of power balancing by the regional states in Middle Eastern politics. Syrian motivation was therefore to achieve backing for its foreign policy vis-à-vis Israel and its other regional adversaries.[161] Syria also effectively used and exploited its relationship with the USSR to support its regional objectives.[162]

Through this alliance Soviet Union not only secured the Syrian state but also the Ba'athist regime. The superpowers aimed at keeping the regimes in power that were strategically committed to stay on their side in the divided bi-polar world order. Therefore, protection of the state extended to the protection of the regime. As numerous examples from other parts of the world show, the security guarantee did not only concern external threats, but they could be extended to internal threats for the regime as well. Clear

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with Jordan 1980. Karsh, "The Soviet Union and Syria. The Asad Years", pp. 49, 54-55, 56. Karsh, *Soviet Policy towards Syria since 1970*, pp. 82-83.

[159] Karsh, Efraim. *Soviet Policy towards Syria since 1970*. Basigstoke: Palgrave Macmillian 1991, p. 84.

[160] Ibid, p. 96.

[161] Seale, "Syria", p. 49.

[162] For example during the Lebanese war Syria received large amounts of military aid, although this was not necessary due to war losses. Karsh, *Soviet Policy towards Syria since 1970*, pp. 71-72.

knowledge of the Soviet commitment to keeping the Ba'athist regime in power in Syria is not available, although evidence can be found from studying some empirical cases.

The Soviet Union secured Syria in both the 1967 and 1973 wars by actively working for a ceasefire when the Syrians were on the losing side.[163] In the event of the Lebanon war in 1982, the involvement of Soviet troops in support of Syria on Lebanese soil would not have been necessary according to the Friendship and Cooperation Treaty, but the Soviet Union has been reported to have been committed to securing the Syrian regime from an Israeli attack, should Syria have been endangered.[164] When the Ba'athist regime was threatened by the domestic outbreak of violence by Islamists from the end of the 1970s, Hafez countered the revolt not only by using military force but also by turning to Moscow with the aim of deepening the political commitment in the alliance.[165]

Secondly, the Soviet relationship aided Syria in engaging in military rivalry against Israel and other possible adversaries. The military side of the relationship was most important, according to Karsh. Altogether, Soviet aid to Syria was larger than to any other Middle Eastern country or indeed any country in Sub-Saharan Africa, Latin America or East Asia.[166] The Soviet Union aided Syria from 1955 with 20 billion US dollars in arms supplies and 4 billion in economic aid. Most arms were sold during peacetime, but the Soviets also supported Syria during wartime.[167] As a result, by the middle of the 1980s, the Syrian army was 11% larger than the Egyptian, despite the fact that Syria was five times smaller as a nation if measured by labour force.[168] The arms sales declined only from the mid-80s due to Soviet lack of interest in Syrian military rivalry and Syrian inability to pay.[169] However, as already mentioned, the Soviets systematically disappointed

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[163] Seale, "Syria", pp. 62, 69.
[164] Karsh, *Soviet Policy towards Syria since 1970*, p. 70.
[165] Seale, "Syria" p. 70.
[166] Karsh, *Soviet Policy towards Syria since 1970*, p. 94.
[167] Ibid, p. 34.
[168] Ibid, p. 42.
[169] Ibid, p. 41.

Syria in refraining from providing enough arms to defeat Israel.[170] According to Seale, the Soviets aimed for a status quo, a situation of no war and no peace.[171]

The following tables list military aid to Syria first by number of imported arms, second by value of arms imports in dollars. The data shows that the Soviet Union was the sole significant provider of arms to Syria. Most of the arms were imported between 1965 and 1986, ending almost completely after 1988.[172] Motivated by changes in the strategic environment, the onset of the more significant arms imports coincides with the Ba'athist take-over of power in 1963 and, notably, the rise of the most leftist regime in Syria since 1966.[173] As the first regime that managed to stabilize its rule following independence, the Ba'athists can be assumed to have benefited from these coercive resources domestically. Measured in dollars, the most expensive arms import seems to have been bought between 1981 and 1985. Most of the arms were funded by cheap loans or grants by other Arab states.[174]

Table 5:[175]

[170] Seale, "Syria", p. 57.
[171] Seale, "Syria", pp. 57, 67.
[172] Stockholm International Peace Research Institute (SIPRI), SIPRI Yearbooks (several years).
[173] The change in strategic environment demanded the USSR to strengthen its military presence (ports and airbases) in the region. Seale, "Syria", p. 58.
[174] Karsh, *Soviet Policy towards Syria since 1970*, p. 47.
[175] Only countries which sold more than 100 major weapons to S.A.R. during the period are included in the table. The register lists major weapons ordered by Syria during 1950-2004. Numbers ordered are systematically the same as numbers delivered, usually with around one or two years delay. Year(s) of deliveries occurs at maximum seven years after order. The weapons from USSR (and Russia) included aircrafts, helicopters, missiles, launchers, guns, tanks, ships and radars. From France, Syria received aircrafts, helicopters and missiles. From North Korea, Syria received rocket launchers and missiles. From Libya, Syria received aircrafts and tanks. From Egypt, Czechoslovakia, UK and the US Syria received mainly aircrafts. Stockholm International Peace Research Institute (SIPRI), SIPRI Yearbooks (several years).

Arms imports to S.A.R. in 1970-1989
Source: SIPRI

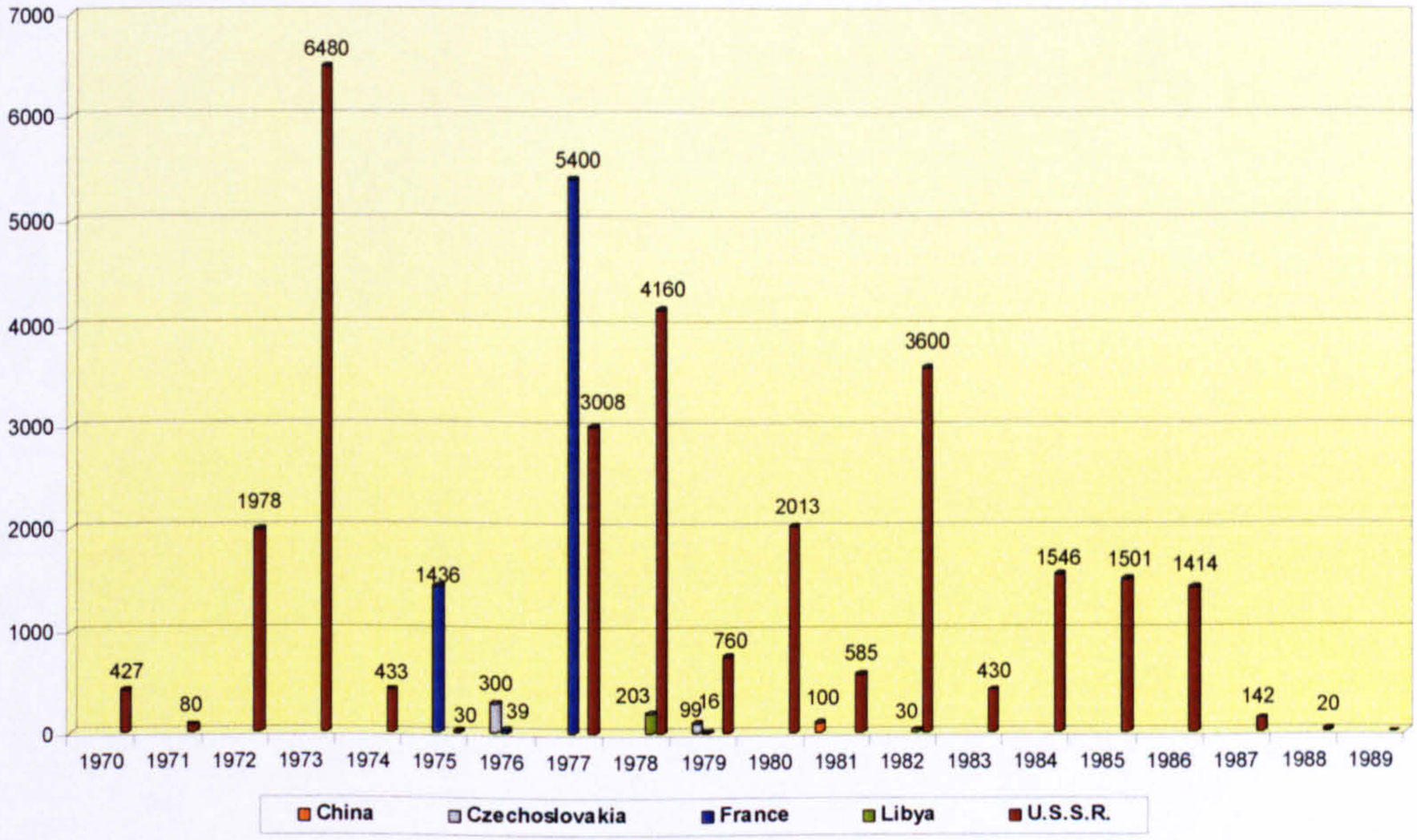
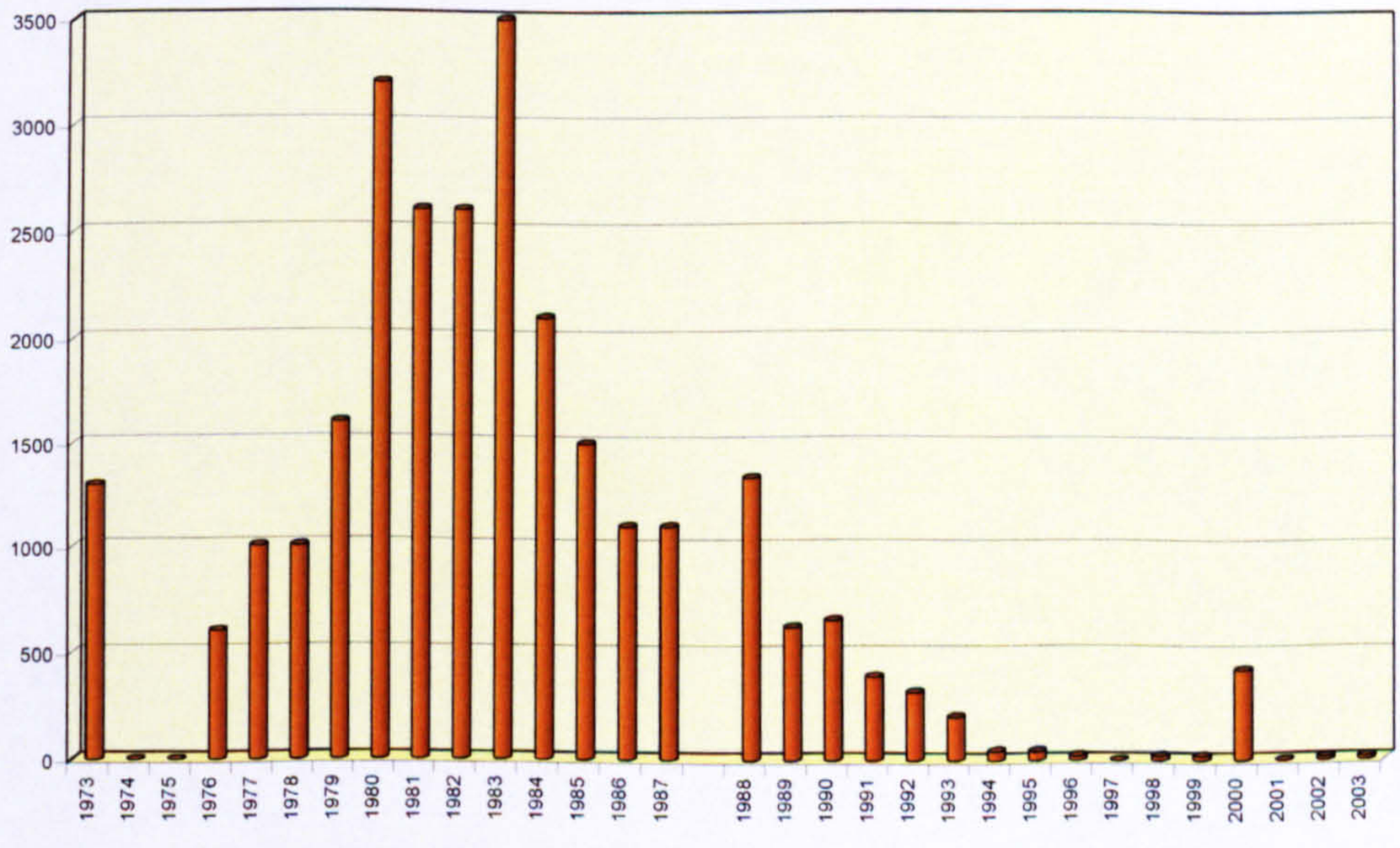


Table 6:[176]

S.A.R. arms imports in 1973-2003 (in millions USD)
Source: Clawson, 1989 (years 1973-1987) and World Bank, 2005 (years 1988-2003)



Economic cooperation was much less important than military.[177] Economic cooperation was advanced by several agreements over the years. The Soviet

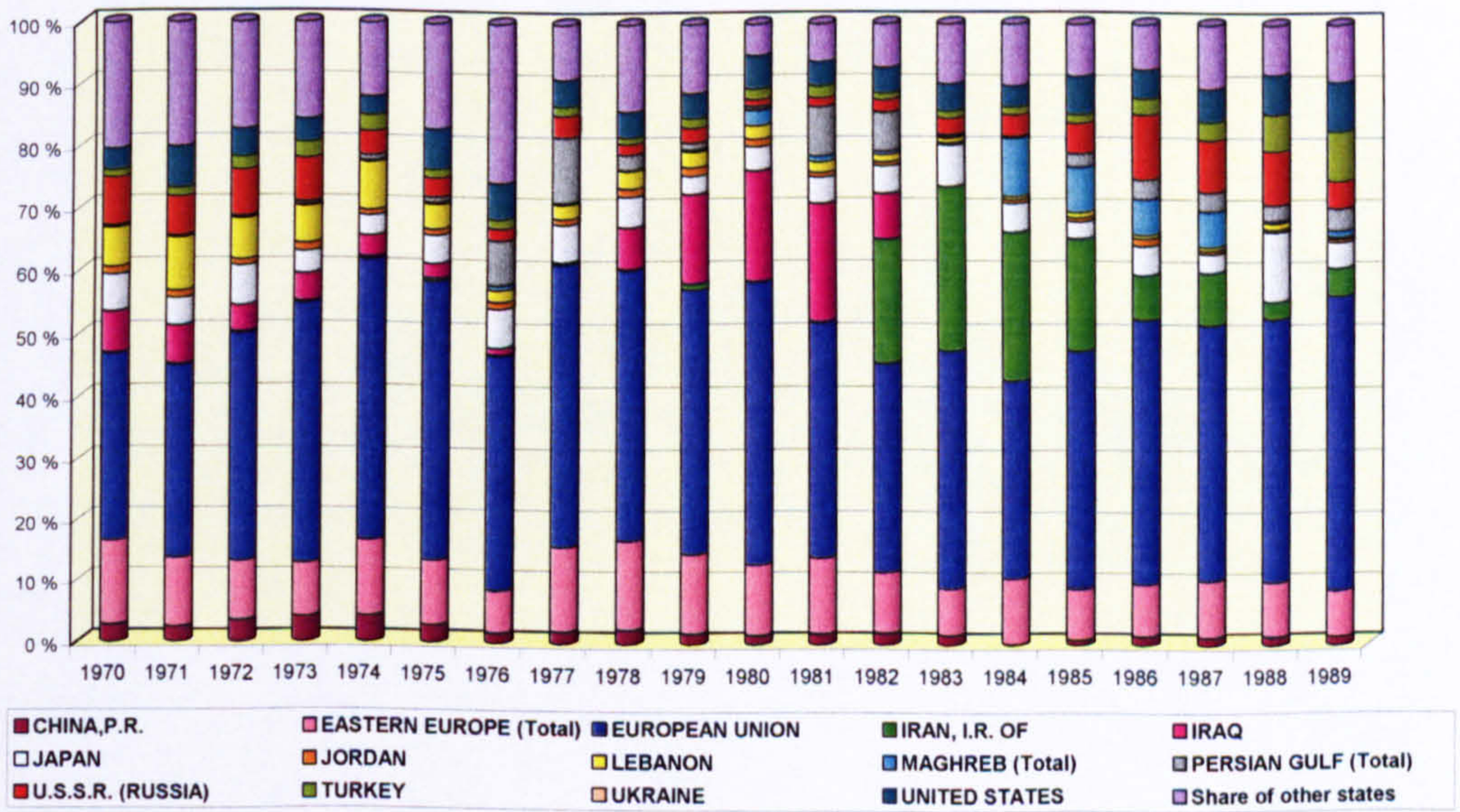
[176] Values for 1977 and 1978 are an average of the total value given for the two years. Source for the years 1973-1987: Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis". Source for the years 1988-2003: World Development Indicators (September 2005) Arms imports (constant 1990 US$) in millions.
[177] Karsh, *Soviet Policy towards Syria since 1970,* p. 52.

Union committed itself particularly to the development of agriculture, infrastructure and transportation.[178] The Soviets aided the oil industry, railway and water resources, as well as giving economic assistance to cover the damage of the 1973 war and supporting irrigation projects, of which Euphrates Dam is the most well known. The Soviets also developed the oil sector. Syria provided small amounts of oil to the Soviets from 1972.[179] Accurate data on economic assistance is not available for this research.

Syrian trade with the Soviet Union was small. The following table shows that the current European Union countries were the main trade partners already during the Cold War period. The trade with Eastern Europe was also, however, important. The trade with the Persian Gulf was very small. Notably, Syria also imported from the United States during the entire era.

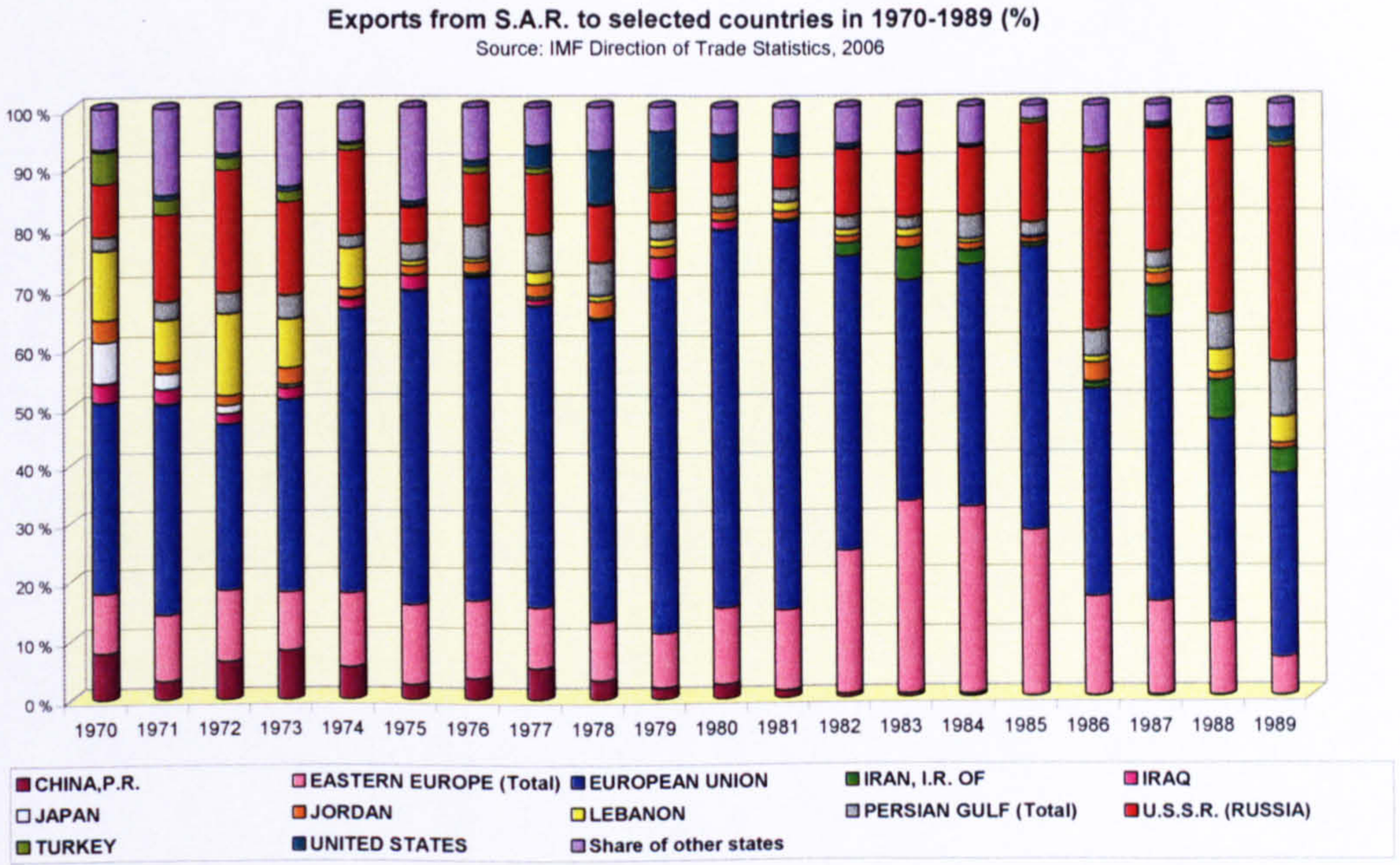
Table 7:

Imports from selected countries to S.A.R. in 1970-1989 (%)
Source: IMF Direction of Trade Statistics, 2006



[178] Ibid, p. 53.
[179] Ibid, pp. 54-57.

Table 8:



External security and fiscal environment in context of pan-Arabism

Regionally, the pan-Arab ideology behind Syrian foreign policy was the primary means of resisting extra-regional interference and forging alliance building for territorial re-gains. Territorial re-gains included recovering occupied lands and the Palestinian rights based on the UN Security Council resolution 242 and recovering the occupied Golan. The strategy for gaining regional power was building military deterrence and alliances and extending spheres of influence against Israel. Asad used several instruments from war waging to negotiations and alliance formation to maximize his regional gains. Pan-Arab credentials and the commitment to the Palestinian cause were among the main tools for building alliances, waging war and extending spheres of influence. Asad's ability to maximize the regional gains has been seen to have been taken to the extremes as he was simultaneously allied with often rivalling parties such as the USSR, the Gulf states and Iran.[180]

From the 1950s, pan-Arabism opposed imperialism and Zionism and provoked Arab unity to stand against the challenge of the extra-regional

[180] Hinnebusch, *Syria. Revolution from Above*, pp. 151-152.

actors and Israel, also considered external to the region. This pan-Arab commitment forged by Nasserist Egypt built an alliance for the Palestinian cause that managed to increase Israeli isolation, although it did not form an effective military cooperation and action against Israel.[181] Most importantly, pan-Arab commitments lead to economic support for the front-line states like Syria from the oil-rich Gulf states against Israel and the extra-regional actors that lasted much longer than the actual pan-Arabism as an organizing principle of Arab politics.

For Syria, the pan-Arab commitment was very coherent with the domestic ideology of state-building. The support for Arab unity served the purpose of domestic unity in an ethnically and religiously divided society.[182] The ruling ideology of Ba'athism from 1970 was directed at creating a national renaissance and Arab identity. However, the domestic influence can not be seen as most defining for support of pan-Arabism as the main ideology driving foreign policy. Pan-Arabism was a reaction to the external environment, an ideological legitimation of and mobilization for regional aims.

Syrian national goals and Arab unity were seen to be the same. In the earlier days of the 1950s and 1960s, ideas of Greater Syria and the pan-Arab commitment were very much in line with each other. Later, pan-Arabism became focused on the liberation of Palestine. However, since Syria lost the Golan Heights to Israel in the 1967 war and had concrete territorial demands, Syrian - in contrast to Arab - interests started to play a major role in Syrian foreign affairs. Still, the ideological position was that the Syrian territorial interests and security needs and the pan-Arab cause were the same. Although the national and pan-Arab aims conflicted from time to time, policy based purely on Syrian interests did not exist. Indeed, Syria never reached a separate peace with Israel as Egypt did.[183] On the contrary, after the Egyptian peace deal, the Syrian Arab commitment translated into a

[181] Hinnebusch, "The Middle East Regional System", p. 37.
[182] Hinnebusch, *Syria. Revolution from Above*, pp. 18-19.
[183] Hinnebusch, *Syria. Revolution from Above*, pp. 139-141.

policy that objected to, and actively prohibited, a separate peace agreement by any Arab country or the Palestinians with Israel without Syrian involvement.[184]

The security fallout from the pan-Arab commitment was two-fold. First, the search for Arab unity in conflict with Israel brought with it a quest for Arab and regional leadership. Egypt acquired this position, being the only Arab state able to counterweight the Israeli military power. The Syrian pan-Arab commitment, being "a front-line state" against Israel, brought it significant political weight as well. This weight translated to a perceived leadership role after Egypt signed a peace agreement with Israel in 1979. Syria became the first front-line state, and its political importance and military might grew accordingly. A previously weak state could now claim regional importance. Secondly, the pan-Arab commitment acted as a tool for alliance-building, and there was some joint effort for war preparation and actual war waging during the 1967 and 1973 wars against Israel. This increased Syrian external security by balancing with the Israeli military power.

The economic fallout, very much related to the security fallout, was even more significant. The Arab cause brought the Syrian state the ability to extract resources for military build-up and enhancement of regional power. The Arab League collective aid was given to front-line states, mainly Egypt, Syria and Jordan and the PLO from 1964. The financial aid was mainly for military purposes, but loans, deposits and investments were also given for civil economic development.[185] Arab aid started to increase from 1973 because of the large oil income of the donors. Most aid was given between 1975 and 1978. Syria benefited significantly from this aid as the second largest recipient. Between 1974 and 1978, Egypt received 30%, Syria 15% and Jordan 7% of Arab aid. After the 1979 peace between Egypt and Israel, Syria became the largest recipient gaining 30% of aid, Jordan gaining 21%

[184] Ibid, p. 155.
[185] Sela, Abraham. *The Decline of the Arab-Israeli Conflict. Middle East Politics and the Quest for Regional Order*. New York: State University of New York Press, 1998, p. 26.

and Palestinians 11.4%.[186] Aid levels fell, however, after 1981 because Syria supported Iran in the Iran-Iraq war. The declining Arab aid from 1981 was supplemented to some extent by Iranian aid, mostly in the form of free oil deliveries and grants that rose up to 1 billion dollars in some years. Syrian budget data shows that Syria received between 300 and 800 million dollars in Iranian aid from 1982-1986. This aid fell to 50 million dollars in 1990 and zero thereafter.[187] The already reduced Arab aid decreased sharply in 1987.[188]

The Arab aid was most significant to Syria during the Cold War. Some aid was also received from the USSR and the Eastern block and the Western countries. The following tables compare the amounts of aid that Syria received from different donors based on Organization for Economic Cooperation and Development, Development Assistance Committee figures. The high level of Arab aid versus that of any other donor is easily noticeable.

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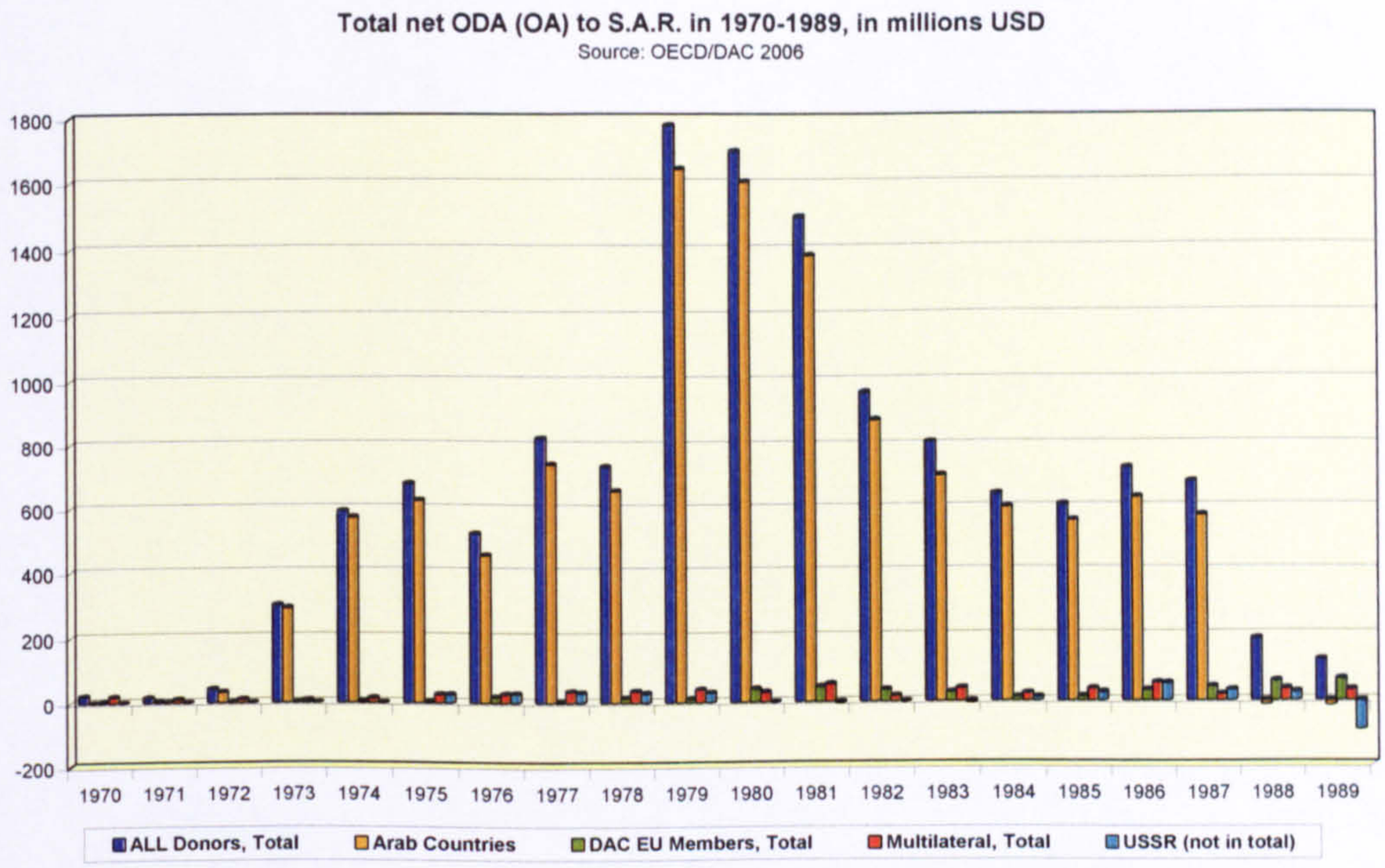
[186] Ibid, pp. 25-26, 367 and Hinnebusch, *Syria. Revolution from Above*, pp. 128-130.
[187] Perthes, *The Political Economy of Syria under Asad,* pp. 33-35.
[188] Sela, *The Decline of the Arab-Israeli Conflict. Middle East Politics and the Quest for Regional Order*, p. 26.

Table 9:



Altogether, according to these figures, Syrian annual aid increased from some tens of millions of US dollars to around $500-800 million during 1973-1978, rising enormously during 1979-1981 to around an annual $1500-1800 million. Aid declined from that point, falling from around annual $950 million in 1982 to around $650 million in 1987 annually. Subsequently, the aid levels witnessed a significant decline to less than $200 million annually by the end of the decade. According to Clawson, Syria received $20 billion for military purposes from the Soviet Union and the Arab states between 1977-1988. 11 billion US dollars were given in arms aid and $9 billion in civilian aid. In addition, Syria received normal aid of $11 billion (in both military and civilian aid). The remaining civilian aid came from international agencies ($900 million), western donors ($600 million), Iran ($2 billion), Arab countries ($13 billion), Soviet Union ($3.5 billion) and "banks, suppliers and unidentified sources". These figures by Clawson are somewhat higher than the ones presented here.[189]

[189] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", 17.

Favourable trade terms ought also to be added to the financial benefits that Syria was able to extract from the Arab countries. The Arab countries were the second in importance in giving grants and loans for Syrian imports. According to Clawson, in 1977-1988, 55% of the imports was covered by grants and loans from USSR ($23 billion), Gulf states ($12 billion), Iran ($3 billion) and the West ($4 billion US). These also declined sharply in the 1980s. [190]

Most aid was consumed by the military build-up, which will be examined in the next chapter. Civilian aid was also significant and it will also be assessed in the chapter. Although much of the aid was consumed by arms, much nonetheless remained for civilian use. Clawson has estimated how much Syria would have received in civilian aid without the military confrontation and compared it to the levels of aid Syria received on the basis of its pan-Arab commitment. According to him, Syria could have received up to 11 billion dollars in civilian aid at most without military build-up during 1977-1988. During this time, Syria received 22 billion dollars. Clawson also estimates that around 11 billion dollars would have been spent for civilian purposes, with another 11 billion for military build-up.[191]

Syrian fuel exports also started during the Cold War, accounting for between 50% to over 70% of merchandise exports from the mid-1970s to the mid-1980s, when the oil prizes were particularly high. This is also a considerable gain from the external fiscal environment.

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[190] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis". Hinnebusch, *Syria. Revolution from Above*, p. 150.
[191] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", pp. 53-56.

Table 10:[192]

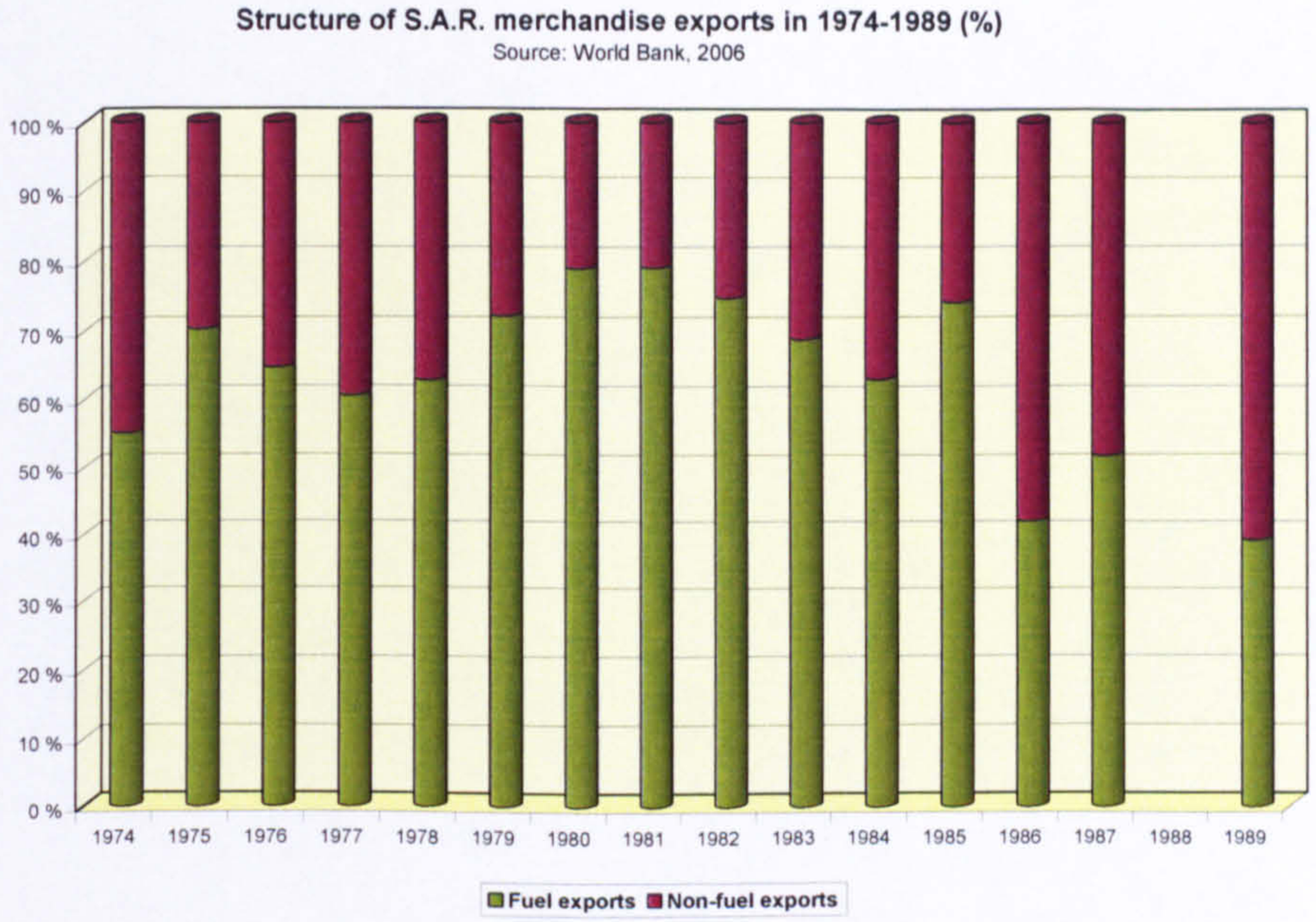
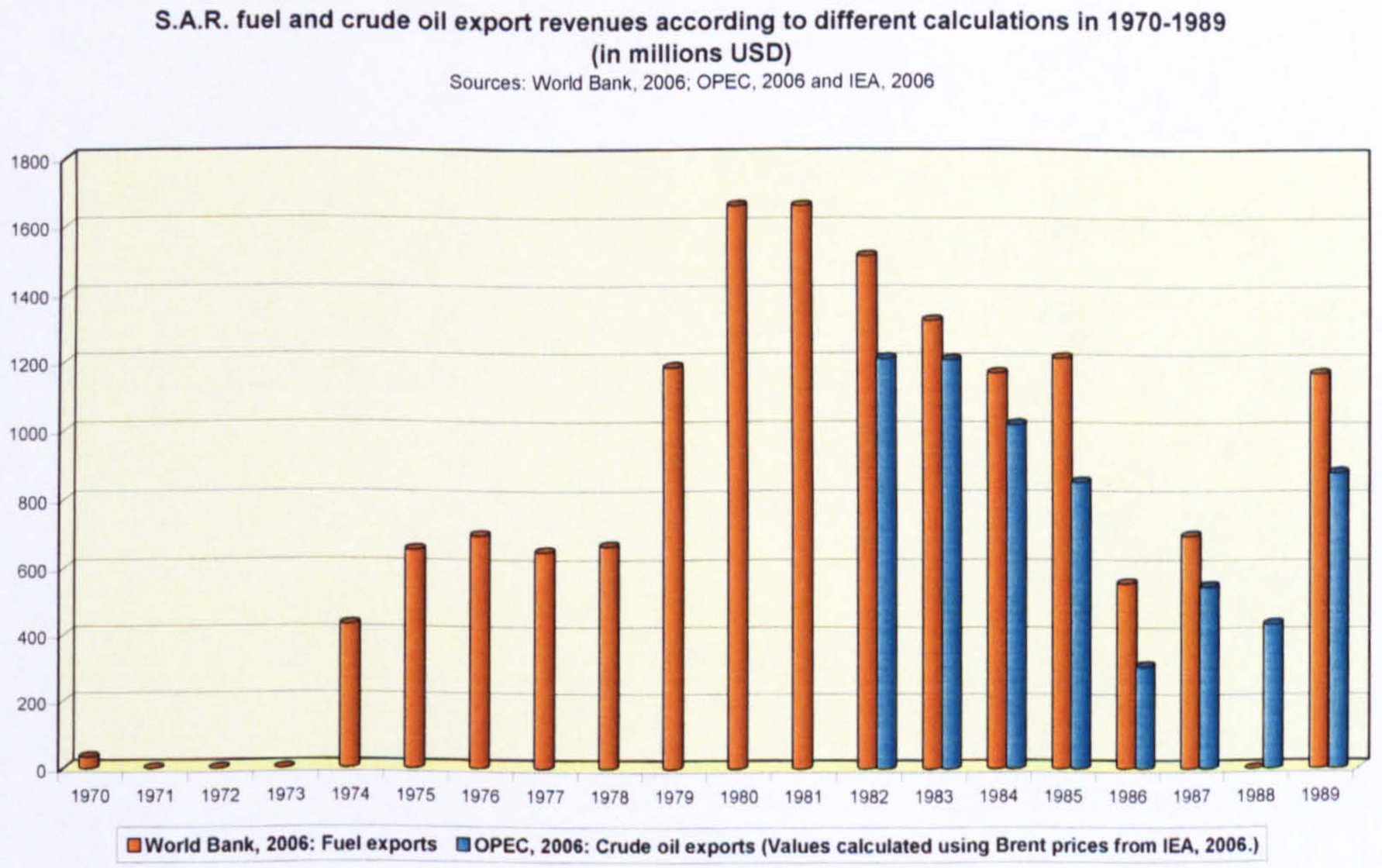


Table 11:[193]



Conclusion

In conclusion, it can be said that during the Cold War, Syria was able to expand its political and military importance in the region. This was possible because of the Cold War bi-polarity and the Arab-Israeli conflict. Syria used

[192] Values are not available for 1988.
[193] World Bank values are not available for several years. OPEC values available for 1982-1989.

pan-Arab and Cold War alliances as strategies for resource accumulation. With alliances and resource accumulation, Syria was able to gain a significant level of regional power, considering its previous regional and domestic weakness.[194] Syria gained security, deterrence and arms from the superpower ally and cooperation in war preparation and war waging as well as strategic aid from the Arab states. In addition, Syria also benefited financially from other gains, such as favourable trade and civilian assistance. As a result, Syria was able to build a mighty army. The increased importance in regional politics, the superpower alliance and the military might reduced the external challenges to the regime. Success in foreign affairs also brought legitimation to the President and national pride. This all contributed to the consolidation of the state domestically.

3.2 External resource extraction and state power

"Regime security in its most basic terms may in fact be budget security, understood in terms of reproducing the conditions necessary for the ruling coalition to continue to pay the bills, pre-empt the development of opposition, or cultivate sufficient domestic support to make coercion against such groups possible".[195]

This chapter aims to evaluate how the external resource extraction in the 1970-1990 period increased the fiscal capabilities and autonomy of the state and contributed to state power. First, the extent of the rentier nature of Syria is estimated, by identifying the main sources of rents and the amount of rents within the total state revenue. Secondly, this chapter relates the proportion of aid and fuel exports to the domestic revenue in order to specify the importance of this specific rent in question to the fiscal

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[194] According to Hinnebusch and Ehteshami, Syria became a regional "middle power". Middle powers' regional significance is rooted in the size of their population, economy and the military might. According to Hinnebusch and Ehteshami, middle powers are structurally defined to urge for regional leadership, act against the regional hostile powers and against the hegemony of extra-regional powers in the region. They aim to form alliances against external powers' hegemony to maintain their sovereignty. They are able to resist the pressure of external powers because of their regional significance. Ehteshami and Hinnebusch, *Syria and Iran: Middle Powers in a penetrated regional system*, pp. 6-7.

[195] Brand, *Jordan's Inter-Arab Relations. The Political Economy of Alliance Making*, p. 26.

capabilities of the state. After this rather numerical analysis of the fiscal powers, the conclusion is placed in the context of economic strategies of the state to analyze how the Asad regime constructed its power base. I will view which elements of rentierism are apparent, how the state used its increased fiscal capabilities for broadening the role of the state in the economy, gave means for allocation policy to satisfy its support base and to maximise it by means of co-option strategies. The increased fiscal capabilities also provided greater means for strengthening coercive and institutional capabilities. These are discussed at a later point in chapter 3.3.

Level of Syrian rentierism

For analysis of the level of Syrian rentierism, the amount of oil rent, foreign aid and remittances are of particular interest in the Syrian case. I will first analyze the amount of these rents during the Cold War period and then relate the overall external revenue to the domestic revenue. The following tables designed for this analysis provide more specific data on Syrian external revenues from 1970 to 1989. The first table includes aid as a percentage of GDP, the second shows fuel exports as a percentage of GDP and the third shows worker remittances as a percentage of GDP.

Table 12:

Total net ODA (OA) to S.A.R. in 1970-1989 (% of GDP)
Source World Bank, April 2006 and OECD/DAC, 2006

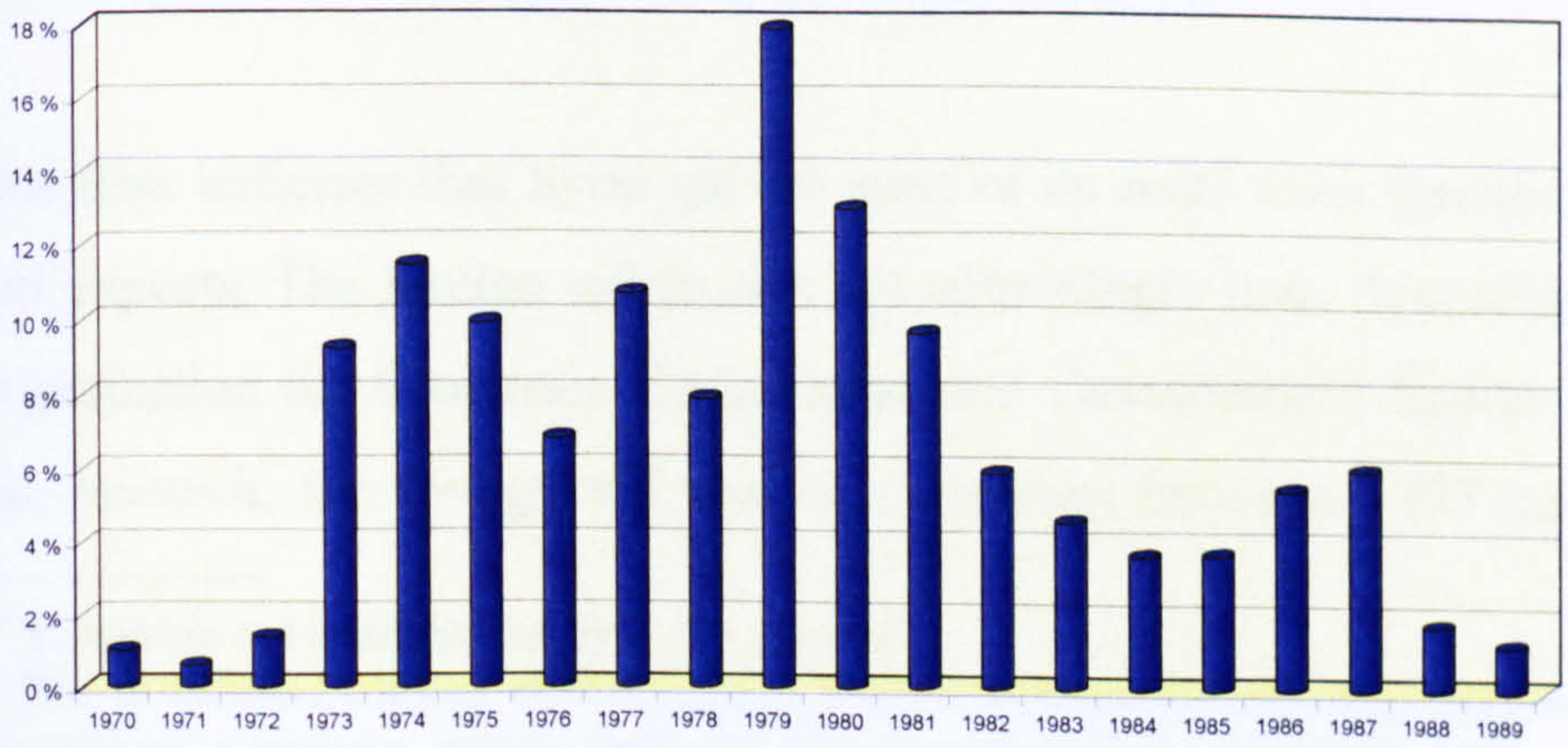

Table 13:[196]

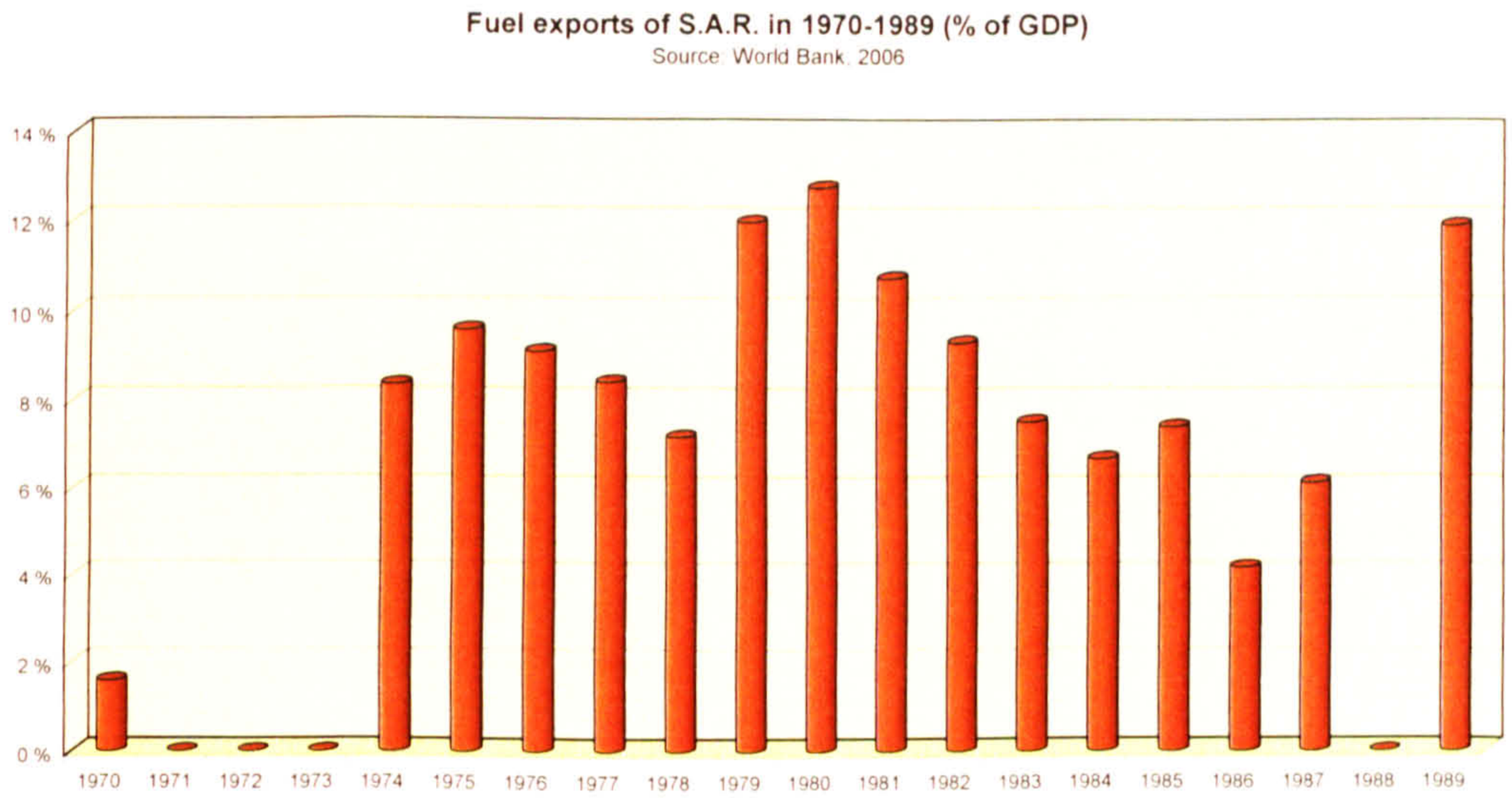

Table 14[197]:

This data indicates that Syria gained most of its rents from foreign aid and fuel exports. The foreign aid figures are surprisingly low. According to the Organization for Economic Cooperation and Development figures used in this research, the foreign aid was at its highest between 1973 and 1982.

[196] Values are not available for 1971-73 and 1989.

[197] Due to different editions of World Bank World Development Indicators used as a source for workers' remittance values, there are differences between the percentages in the tables (Edition: April 2006) and the percentages used in the text (Edition: September 2005). In addition to reported worker remittances, Syria benefited from annual money transfers from Syrian workers in Lebanon. The transfers are estimated to have been around 1.5-2 billion USD annually according to Lebanon-Syrian Centre (LSC). The Syria report (February 2005).

remaining between 5.9% and over 13% of GDP, with the exception of the peak in 1979 of 17.9%. From that point on, the aid income declined from 5.9% in 1982 to 1.3% in 1989. This would suggest that the aid levels were not very high, even though it must be remembered that these figures are likely to be lower than actual aid income. The aid figures above can be estimated to be below the actual aid figures, because the figures include only aid reported to the Organization for Economic Cooperation and Development.[198]

The amount of Syrian foreign aid is also not enormous in regional comparison, as the following table illustrates. Syrian aid was higher than Egyptian only in 1979-1981 in dollars when Egypt lost the Gulf aid due to its peace agreement with Israel, and the new Western based aid was not yet flowing in large quantities. Jordan continuously received marginally less than Syria during the Cold War in dollars. In relation to GDP, Syria received the least average annual aid among these countries during the years of large aid donations 1973-1979. Jordan received 25.4%, Egypt 13.7% and Syria 10.6% of GDP as an annual average. In the 1980s, all aid declined drastically in relation to GDP and Syria received most. Jordan received 1.4%, Egypt 5.0% and Syria 5.5% as an annual average of GDP. [199] The difference, of course, is that Syrian aid was unconditional, whereas much of the aid that Jordan and post-1979-Egypt received had an impact on domestic political and economic systems and therefore did not contribute in a similar manner to the fiscal capabilities of the state as in Syria.

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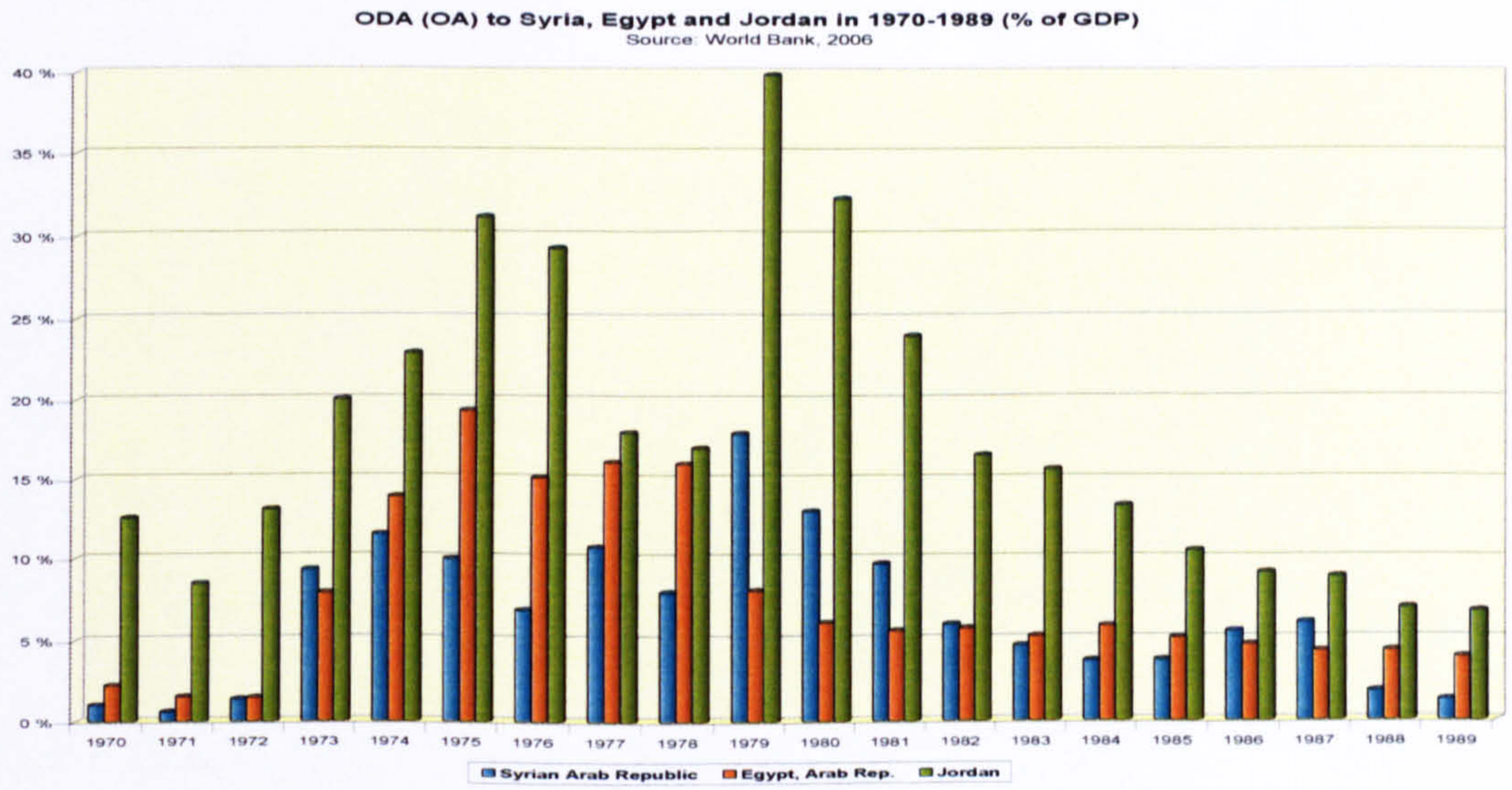
[198] This is based on the comment by the Organization for Economic Cooperation and Development, according to which all Arab aid is not reported to the Organization for Economic Cooperation and Development even today. E-mail correspondence with Ann Zimmerman, DAC, Organization for Economic Cooperation and Development 7. November 2006.

[199] Organization for Economic Cooperation and Development, DAC 2006.

Table 15:



The oil figures, on the other hand, seem surprisingly high. Unlike other similar aid recipient countries, Egypt and Jordan, Syria benefited relatively much from its own oil production since it started to export oil in 1968.[200] The revenue from fuel exports was between 6.7% and 12.7% during the years 1974-1985. According to these figures, the importance of Syrian fuel export income would seem to be somewhat underestimated in the previous research. [201]

Indeed, the underestimation of the importance of oil export revenue already from the 1970s becomes clear if compared to aid figures. The most important finding here is that oil export revenue was actually higher than aid as an annual average during the entire study period. If one compares the aid and fuel export figures as percentage of GDP, foreign aid and fuel export income contributed close to the same amount of external revenues in the 1970s, foreign aid being only marginally higher. Despite the peaks, on average the annual aid during the era of high aid income in 1973-1982 was 10.3% of GDP. During the era of high fuel exports around the same time in 1974-1985, the average annual fuel exports accounted for 9.1% of GDP.

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[200] Perthes, *The Political Economy of Syria under Asad*, p. 40.

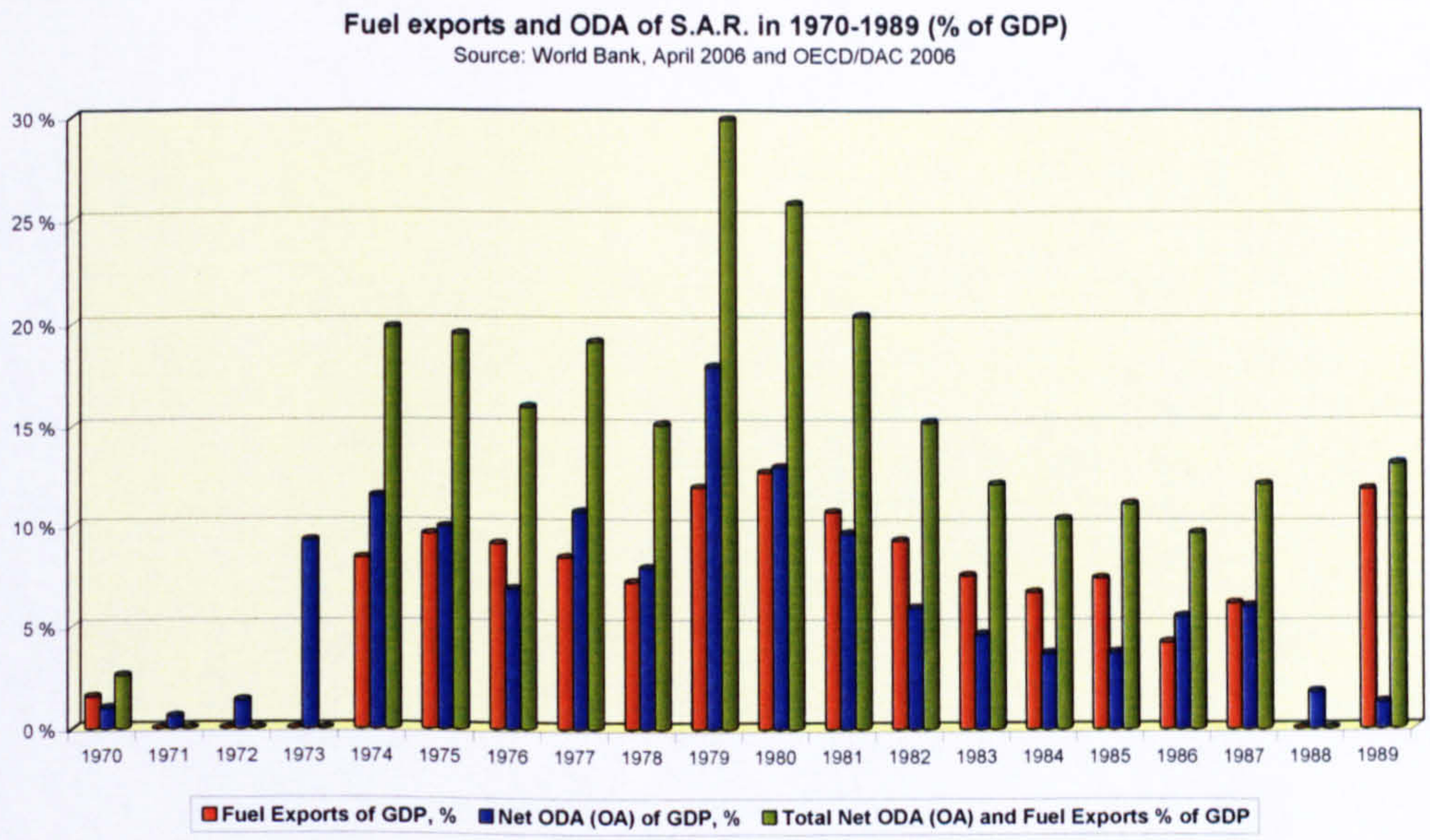
[201] The importance of oil revenues is noted in late 80s and early 90s, but its overall importance related to aid is not really emphasised. This is even though Perthes for example notes that oil revenues were the one single largest revenue for the state budget. Hinnebusch, *Syria. Revolution from Above*, p. 132, Perthes, *The Political Economy of Syria under Asad*, p. 64.

From 1981, fuel export income increased consistently, with the exception of the year 1986. Indeed, the increased external revenues were more than 50% due to foreign aid and the military environment until 1981. From this point on, the fiscal autonomy was more than 50% due to oil revenues, although foreign aid still played a role. In the entire study period starting from 1974 after which there is data available until 1989, average annual income from fuel exports was 8.7% of GDP and aid income 7.7% of GDP. In other words, income from fuel exports was higher than aid income in the 1970s and 1980s.

None of the revenues separately were high enough to build a certain type of a rentier economy. Syria profited significantly from foreign aid, especially towards the end of the 1970s, but not enough to provide the opportunity to construct an induced rentier state economy. The oil export was also not sufficient to allow for Syria to be categorised as a rentier state economy at any stage. Worker remittances - mainly from the Gulf – benefited the Syrian economy from the lowest 0.7% in 1976 to the highest 5.9% in 1982 of GDP during this period, in other words not to the extent that Syria could be defined as a private sector rentier economy. Together, however, the aid and fuel export income must be assumed to have lent some rentier features to the Syrian state and economy.

The following table presents the overall external revenues that directly benefit the state, fuel export income and aid revenues as percentage of GDP.

Table 16:[202]



The table shows that the amount of rents contributing to state revenues varied between 9.7% and 29.9% of GDP from 1974 until the end of the study period, 1989. They did indeed decline from an average of 20.1% in 1974-1982 to an average 11.4% in 1983-1989. The amount of rents fails to come even close to the level of major oil-economies such as Saudi-Arabia and other Gulf states. For example, in Saudi-Arabia, the oil exports reached 87.4% of GDP and in Kuwait 61.9% of GDP during the height of the oil boom in 1980, decreasing to a still significant 34.4% of GDP and 45.8% of GDP in 1984-1985.[203]

Based on these tables, Syria did not reach the level of a semi-rentier state economy during this time period, because the income from fuel exports and aid remained less than 20% of GDP, with the exception of the end of the 1970s and beginning of the 1980s. However, if one considers that the aid levels according to this data may be subject to underestimation, one can most likely consider Syria a semi-rentier state. According to Gause, Syrian external revenues are generally over 20% but under 50% of government revenues, which makes Syria a mid-level rentier state.[204] Rex Brynen also

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[202] Fuel export values are not available for 1971-73 and 1988.

[203] Brynen, Rex. "Economic Crisis and Post-Rentier Democratization in the Arab world: The Case of Jordan", p. 72.

[204] Gause, "Regional Influences on Experiments in Political Liberalization in the Arab World", p. 291.

defines Syria as a semi-rentier state.[205] Perthes relates the amount of rents as between 10% and 15% of GDP.[206]

More specifically, Syria can be defined as having been close to an induced semi-rentier state economy (foreign aid related-revenue) from 1970 until 1981, after which it can be defined as being close to a semi-rentier state economy (oil-related revenue). For the analysis of the level of state fiscal autonomy or relation of the state to the private sector, oil or foreign aid can be seen as contributing similarly to the state revenues, provided that the foreign aid has been such that it has not included conditions by the donor, because conditions could limit the ability of the state to use the funds.[207] In Syrian case, as the foreign aid has mainly been from the Gulf region and the Soviet Union, and motivated by a security rationale, the donor aspect has not been relevant.

The amount of external revenues is subsequently compared to domestic revenues. Here it is important to note again that the Syrian state does not report its revenues. The domestic revenue reported in the budgets is compared to total external revenue, which gives a better picture of the importance of the external revenues to the fiscal capabilities and state power. For technical reasons, the comparison is done in percentage of GDP.

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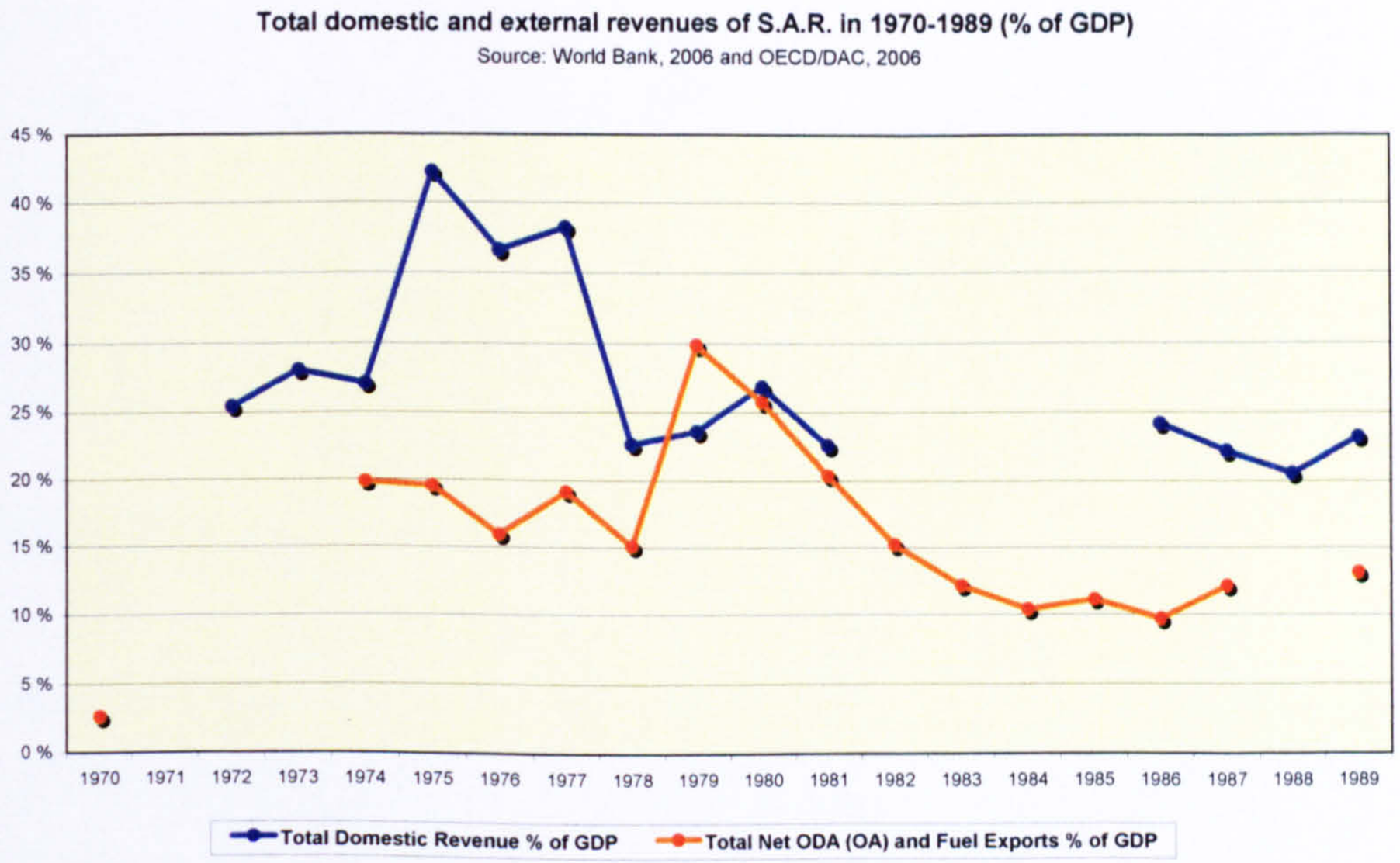
[205] Brynen, "Economic Crisis and Post-Rentier Democratization in the Arab world: The Case of Jordan", p. 72.
[206] Perthes, *The Political Economy of Syria under Asad*, p. 153.
[207] Knowles, *Changing Patterns of Rent: State, Private Sector and Donors in Jordan*, p. 14.

Table 17:[208]



The figures for the beginning of the 1970s are not fully available. Therefore, the analysis covers only the years from 1974 onwards. These tables indicate that external revenue was significant to the fiscal capabilities in addition to the domestic revenue. On average, the annual share of external revenues accruing to the state of total revenues as percentage of GDP was 39.1%, varying between the lowest 28.6% and the highest 55.8%. The external revenue was consistently lower than domestic revenue in the 1970s and 1980s, with the exception of the peak year 1979 of 55.8%. What the table also indicates is that the overall revenues were significantly higher as percentage of GDP at the end of the 1970s and beginning of the 1980s, compared to the end of the 1980s. The external revenues declined significantly in relation to the domestic towards the end of the 1980s.[209] During the entire era, the level of taxation of domestic revenues was small in comparison. The annual average taxation was 12.2% of GDP.[210] Hinnebusch evaluates this to account for up to 25% of state revenues.[211] This confirms that the state used external extraction and very low domestic extraction of revenues.

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[208] Values are not available for several years. Domestic revenue does not include grants.
[209] The data for domestic revenue for years 1982-1988 is not available and therefore these years are not taken into account.
[210] International Monetary Fund. International Financial Statistics, October 2006.
[211] Hinnebusch, *Syria. Revolution from Above*, p. 127.

Based on this, it can be concluded that the external revenues added greatly to the fiscal capabilities and autonomy of the state at least from 1974 onwards. This timing coincides with the stabilization of Asad's regime. The external revenues declined sharply from the mid-1980s, when fiscal capabilities must also have been reduced.

Building the economics of authoritarianism

Syria had only what can be categorised as close to a semi-rentier state economy, and therefore the financial autonomy of the state has not been high enough to accord it a pure rentier nature throughout. However, much of rentier theory is relevant for the Syrian case and explains its authoritarianism. According to Perthes, Syria has exhibited all the characteristics of a rentier economy. Such characteristics are, for example, the state as an engine of growth, large public sector, subsidized imports, privileges and monopolies.[212]

According to Warwick Knowles, the following characteristics are related to the rentier state economy. "The state is the prime economic power, private sector is dependent of the state. The state aims to maintain control of and access to rent and allocating expenditure rather than the raising of domestic revenues. The state follows a politically-inspired "expenditure policy", that often includes infrastructure development, which will be led through state-controlled development plans, state-controlled or state-supported enterprises, subsidies both of basic necessities, such as bread, electricity and water, and those aimed at favoured businesses, such as cheap loans and tax breaks; contracts from the state to favoured businesses; 'royal' favours, such as free land in return for political support; bureaucracy built around allocative, rather than extractive, mechanisms; Regulations aimed at preferred businesses, such as partnership agreements in Saudi Arabia, which

[212] Perthes, *The Political Economy of Syria under Asad*, p. 64.

allow foreigners to establish trades and professions in conjunction with a Saudi national; and the state as a major source of employment."[213]

Here, the rentier nature is observed in the following terms: state control of economy, allocation and co-option. It is striking that there has been virtually no change in the political elite in power in Syria since the 1963 revolution and no coup until today since 1970, when Hafez al-Asad took power in an intra-Ba'ath rivalry. This indicates that the socio-economic conditions formed from the 1970s created a very stable authoritarian structure. The political coalition of the end of the 1960s could not most likely have held power until today had there not been a drive to maximize and broaden the coalition as widely as possible, in other words bringing state services and benefits to the largest possible share of the population. This was done mainly through the state-led economy, expanding the state to all sectors of society particularly by means if allocation, that is bureaucratization, large state employment, subsidies and by co-option, allowing state-dependent bourgeoisie to create wealth. The maximizing of the political coalition that created regime stability and allowed authoritarianism was largely made possible because of the external revenues.

The first indicator of rentierism in Syria was the extent and speed of the growth of the public sector. The broadening of the economic role of the state in the 1970s was rapid and extensive. This was preceded by a revolutionary change that abolished the existing liberal economic order. Since independence, Syria had had a market economy and a bourgeoisie. Until 1963, Syria had independent social actors that had the chance to compete with the regime, as the political instability and frequent changes of regimes indicated. The ruling political coalition that circulated power by means of several coups was supported by the dominant classes, the landed aristocracy and industrial and other bourgeoisie. The Ba'ath party coup of 1963 served to reorganize the economy to support the new political

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[213] Knowles, *Changing Patterns of Rent: State, Private Sector and Donors in Jordan*, pp. 14-15.

coalition in power. This was done through land reform and nationalizations that weakened the old political elite, the landed aristocracy and bourgeoisie.[214] From 1964 the elite came instead from army officers and young Allawis from provincial towns and rural areas.[215]

The land reform and nationalizations brought with them state ownership. This was part of the popular development strategy according to which the state should have the leading role in economic development. After the demolition of the liberal economy and enemies of the popular revolution that gave the domestic resources and economic tools to the state, the socialist leaning strategy was adopted, as was done in numerous third world states. Also in Syria this included import subsidized industrialization (ISI), varying degree of state control of trade, large state run infrastructure, other development projects, extensive bureaucratization and state employment. The new economic and political order that came with it was a common development strategy at the time. The extent of it was highly assisted by the fiscal capabilities from external revenues. According to Perthes and Hinnebusch, oil and aid revenues indeed funded the development strategy and state expansion.[216]

The role of the state in the economy grew significantly from 1970. By the mid-1960s, the state owned all banks and most trade, commerce, agricultural cooperatives and industry.[217] In domestic production, the share of the public sector was around a half by 1970.[218] In 1984, the industrial sector controlled by the state produced 78% of gross industrial output. Public sector surpluses were large, and state share of gross fixed capital

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[214] More concretely, see Al-Ahsan, Syed Aziz. "Economic Policy and Class Structure in Syria: 1958-1980". *International Journal of Middle East Studies*, Vol. 16, No. 3, August 1984, pp. 301-323. Perthes, Volker. "The Bourgeoisie and the Ba'th. A Look at Syria's Upper Class", *Middle East Report*, No. 170, Power, Poverty and Petrodollars, May-June 1991, pp. 31-37, p. 31.
[215] Al-Ahsan, "Economic Policy and Class Structure in Syria: 1958-1980", p. 314.
[216] Perthes, *The Political Economy of Syria under Asad*, pp. 136, 252. Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", p. 245.
[217] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 357.
[218] Hinnebusch, "Calculated Decompression as a Substitute for Democratization: Syria." p. 229.

formation was around 60%.[219] State surplus financed more than 30% of state expenditures and reached up to 9% of GDP between 1966 and 1967.[220] State control of trade and especially foreign trade was extensive, the economy was dominated by state monopolies, and the number of state companies was large. The agricultural production was largely arranged by state lead cooperatives.[221]

The second feature of rentierism was emphasis on allocation of rents rather than active support for productivity. In addition to investments in industry and trade, the state spent heavily on the development of infrastructure and other development projects, education and health services and subsidies on basic foodstuffs and some other everyday products. For example, the development projects enhanced the tendency towards patrimonialism and gave means of allocation, such as the construction of the Eufrates Dam.[222] Subsidies kept the poorest part of the population satisfied with the new rule. The allocation policy, in other words heavy spending, was the method of building the power base and creating political loyalties.[223]

State employment was also a means of allocation. Intense bureaucratization enhanced both the expansion of the state in society and political loyalty of the state employed. Expansion of the state by bureaucratization contributed greatly to the efficiency of the state in pursuing new economic policies such as agrarian reforms and nationalizations. Efficiency also gave a tool for socio-economic design that gave new means for fostering political loyalties. State employment, on the other hand, brought with it a tool for political control.[224] The increase in state employment was still small in 1965-1970. During that time, the number of state employed workers increased from

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[219] Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 307.
[220] Hinnebusch, "Syria: Calculated Decompression as a Substitute for Democratization" p. 229.
[221] Hinnebusch, Raymond A. "The Political Economy of Economic Liberalization in Syria." *International Journal of Middle East Studies*, Vol. 27, No. 3, August 1995, pp. 302-320, p. 307.
[222] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 359.
[223] On development programmes, see Perthes, "The Bourgeoisie and the Ba'th. A Look at Syria's Upper Class", p. 32.
[224] Perthes, *The Political Economy of Syria under Asad*, p. 142.

135,000 to 236,000, which is an increase from 12.2% to 13.9% of total workforce. The increase is particularly significant, however, from 1970 to 1980. During this period, the number of state employed workers increased from 236,000 to 757,000, from 13.9% to 32.9% of total workforce. In 1984, public industry gave employment to around 30% of the labour force in industry.[225] Roughly speaking, it can be stated that ever since the Asad regime consolidated its power, more than one-third of citizens have worked in the public sector.

The third feature of rentierism was co-option, especially the creation of the state-dependent bourgeoisie. Bringing the old bourgeoisie into the political coalition was a major factor that enhanced regime stability, because the traditional industrialists and merchants constituted the largest opposition to the Ba'athist leaning regime after the economic restructuring. In the early 1970s, the policy of Asad was to gain back the exiled capital and assure the bourgeoisie that returning their funds was safe.[226] In order to bring back private capital and in order to broaden the political coalition, the regime also engaged in limited economic liberalization from 1973. Contrary to Egypt, the war of 1973 did not force Syria to liberalize. To cover the costs of the war economy, Egypt had to resort to liberalization measures.[227] Syria avoided this immediate need due to its external revenues.

The liberalization measures, for example the establishment of public-private companies and relaxation of imports, made the bourgeoisie involved but dependent. The regime managed to build a relationship of alliance between the political and the economic interests of the Sunni bourgeoisie by engaging them in military economic activity, for example.[228] Indeed, the liberalization in 1973-1979 had no economic logic.[229] The aim was a broad political coalition and regime stability. The

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[225] Hinnebusch. "Calculated Decompression as a Substitute for Democratization: Syria", p. 229.
[226] Perthes, "A Look at Syria's Upper Class: The Bourgeoisie and the Ba'th", pp. 31-32.
[227] Barnett, *Confronting the Costs of War. Military Power, State and Society in Egypt and Israel*, p. xi.
[228] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 360.
[229] Perthes, "The Political Economy of Syria under Asad", p. 44.

state kept its dominance over the main economic sectors, and the private sector headed towards less profitable sectors.[230] The involvement in state contracts, commissions and mixed companies, in which the state had a share, best served to tie the interests of the business elite to the state.[231] The arrangement between the state and the private sector also created a completely "new bourgeoisie", who were not involved in business but now used their access to the state as a stepping ground for private profits.[232] These included high officials and their relatives who often also used smuggling and illegal means for wealth creation. Smuggling was particularly common in the military.[233] The interests to the state were broader than those of the people involved in concrete business with the state, because the alliance of bureaucrats and bourgeoisie controlled the state resources and access to employment and therefore involved large allocation activities. Again, the creation of the new bourgeoisie was greatly assisted by the external revenues.[234]

It can be concluded that Syria bore clear features of a rentier state economy because of the state control of economy, allocation and co-option. This was only possible due to the external revenues that boosted the fiscal capabilities of the state. As in rentier states, large parts of the population needed the state economically, there was no middle class, or independent bourgeoisie, and the nature of political competition was linked to access to rents. Along the lines of characteristics of a rentier state economy, liberalization was about allocation and tying interests to the state.[235] The state was also able to contain the Islamist revolt at the end of the 1980s partly by means of its fiscal capabilities. For example, in 1979 the state used restrictions on the private sector and 65% pay rises in the public sector

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[230] Al-Ahsan, "Economic Policy and Class Structure in Syria: 1958-1980", p. 310
[231] Perthes, "The Bourgeoisie and the Ba'th. A Look at Syria's Upper Class", p. 36. Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 126.
[232] Hinnebusch, *Syria. Revolution from Above*, pp. 232-233.
[233] Perthes, "The Political Economy of Syria under Asad", pp. 149-150.
[234] Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 314.
[235] Perthes "The Political Economy of Syria under Asad", p. 62. The state also had autonomy to use liberalization to strengthen regime. Hinnebusch, Raymond. "The Political Economy of Economic Liberalization in Syria", p. 319.

as a strategy to contain political criticism by the Islamists.[236] In other words, the state had fiscal capabilities to contain the spread of criticism by allocation, although coercive powers were also used.[237]

Problems of the rentier state economy

From the beginning of the 1980s, however, the rentier state economy began to face some problems. The external revenues from foreign aid began to decline due to the oil prices and the slowdown of aid from the Soviet Union. The economic crisis deepened because the oil prices started to decline in 1986. The crisis was felt in all Arab countries in the 1970s-1980s due to the ISI-led planned development policy that was vulnerable to a decline in state spending. There was simply a gap in resources because of the heavy spending on allocation. The economic crisis was felt in Syria from 1982. There was a decrease in industrial production, lack of imported products, high inflation and a decrease in the value of the Syrian pound, and most importantly, a lack of foreign exchange.[238] The over-dependency on external resource extraction became apparent. The heavy spending that the allocation-oriented economy needed started to become too costly. In addition to co-option and allocation policies, the conflict with Israel was costly. As a result, the government resorted to borrowing and there was a severe debt crisis (see the table for debts), foreign exchange crisis and fiscal crisis that threatened to damage the regime's basic support base.[239]

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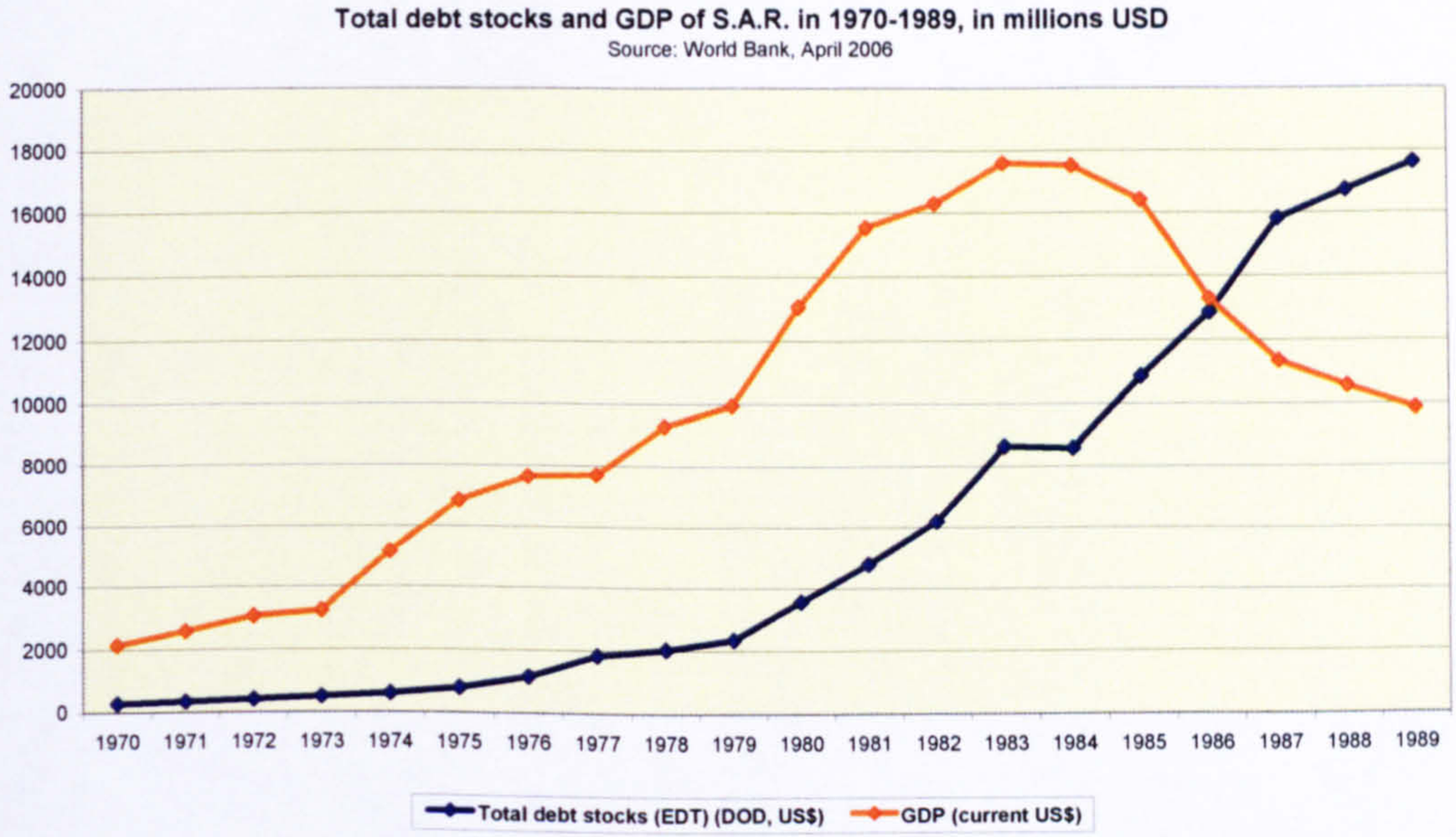
[236] Perthes, "The Political Economy of Syria under Asad", p. 53.
[237] The state also had to resort to coercive resources to crush opposition. Al-Ahsan, Syed Aziz. "Economic Policy and Class Structure in Syria: 1958-1980", p. 318.
[238] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries." In Salamé, *Democracy without Democrats? The Renewal of Politics in the Muslim World*, p. 245.
[239] More on the reasons of the economic crisis, see Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 312, and Perthes, *The Political Economy of Syria under Asad,* p. 45.

Table 18:



In other words, as the level of rents declined, the state became less autonomous, and it had fewer fiscal capabilities. The rentier theory, the decline of rents, would serve to explain the economic crisis. However, the liberal theory also has explanatory potential . The state-led development simply exhausted itself and the state needed to resort to restructuring or accommodational measures. According to this line of thinking, the economic decline followed, because the economic policies had served as a tool for state-building and regime security rather than economic growth.[240] These two arguments combined explain the Syrian economic crisis at the end of the 1980s because Syria was not a pure rentier state and because lower level rentier features and ISI-led economy often came together. However, the liberal theory does not explain the long-term reaction of the Syrian state to the crisis. The reaction was more political than economic and the need for deeper changes was, to some extent, eliminated when the rents increased again in the early 1990s.

There was no possibility for external extraction at the end of the 1980s because of the nature of the international politics and economics at the time. Nor was an intense domestic extraction in the form of taxation an option for the reason of retaining autonomy. So the immediate option available was to

[240] Hinnebusch, *Syria. Revolution from Above*, pp. 128-130.

borrow, which made the situation worse. The medium-term strategy used was to cut back spending and to gain resources for the economy from private capital. Without it, the state would have gone into bankruptcy. The second opening of the economy followed from 1985. The foreign exchange regulations were liberalized, the role of the banks was changed, some government monopolies were lifted, some restrictions for private sector investment were removed and mixed companies gained more privileges, and there was some privatization of state lands. This was all done in practice by the early 1990s.[241]

This economic policy change can be still called an accommodational strategy, although it led to an enormous increase in the role of the private sector and a turn from ISI to export orientation. By 1990, the private sector was for the first time larger than the public sector if measured in investments during the entire Ba'athist era since 1963. This was not unique to Syria as the same development took place in different Arab states. Common to all countries was that the growing private sector was very tied to the state and consisted of a new bourgeoisie that was state-dependent, enjoyed privileges, acted in mixed companies and benefited from monopolies. Some non-state dependent bourgeoisie also emerged, but they were not wealthy or influential in any way.[242] However, the economic change was not deep and it did not change the power balance because of the co-option element. Rather, it balanced the economy to some extent. The liberalization was not deep either because there was a consensus of the need to maintain a large private sector and balance the interests of the bourgeoisie with the main constituencies of the regime. Essentially, the private sector was only given more access to the state.[243] This has also been called selective liberalization.[244] According to Hinnebusch, the state autonomy was such that

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[241] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", pp. 246-247.
[242] Ibid, pp. 249-251.
[243] Hinnebusch, Raymond. "The Politics of Economic Liberalization. Comparing Egypt and Syria." In Hakimian, Hassan and Moshaver, Ziba (Eds.). *The State and Global Change. The Political Economy of Transition in the Middle East and North Africa.* Richmond: Curzon Press, 2001, pp. 129-130.
[244] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab countries", p. 251.

liberalism could still be used to stabilize the regime.[245] The role of the private sector remained and even increased in the following years. The Syrian example shows that it is possible to have a large private sector without deep economic liberalization. Indeed, a deeper liberalization would have threatened the position of the bourgeoisie.[246] At the turn of the 1990s, Syria had a combination of a rentier model and a large private sector. The state still led the economy and the private sector was tied to the state, and thus some aspects of the rentier theory - according to which the state is the main economic actor - were still valid.

Conclusion

To conclude, external revenues created sufficient fiscal capabilities for the state to pursue economic policies that enhanced state power and gave means to the authoritarian rule. The Syrian state had clear rentier features, such as the large role of the state in the economy, allocation and co-option. Rents and their allocation helped to create and maintain the authoritarian structures of the state, build a maximum coalition and gave means to engage in socio-economic designing that was used, for example, in economic liberalization in order to balance different political interests and tie them to the state.[247] Despite the fall in revenues at the end of the 1980s, Syria maintained its rentier features. This also took place in spite of the expansion of the private sector to become bigger than the state sector. What is clear is that external resource extraction had a very significant impact on Syrian authoritarianism. Syria was, however, not even a clear semi-rentier state economy, as the reported external revenues were mostly lower than 20%. Furthermore, the war preparation costs were high as will be shown in the next chapter. Although the fiscal capabilities of the state were a powerful tool for creating state power, the low level of rents seems to suggest that the external revenues alone could not have been responsible for the state autonomy and

[245] Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 319.
[246] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", p. 251.
[247] On designing socio-economic interests, see Hinnebusch, "Calculated Decompression as a Substitute for Democratization: Syria", p. 226.

the authoritarian nature of the state. The following chapter on the effect of war preparation sheds light on possible additional reasons deriving from the external environment for increased state power and authoritarianism.

3.3 War preparation and state autonomy

This chapter aims to show how war preparation did not demand domestic extraction and political bargaining that would have lead to a democratic opening, but gave financial means to increase the coercive capabilities of the state by building a strong army and security services. War preparation also affected the political institutions, caused centralization of political power and contributed to the rule of the three pillars, the president, army and the party. War preparation enhanced the coercive capabilities of the state by improving the ability to allocate and co-opt social groups. War preparation also supported the strengthening of the institutional capabilities of the state and brought autonomy, efficiency and legitimacy to the regime. All these contributed greatly to authoritarianism.

War preparation and fiscal capabilities

The Middle East is the most war-prone region in the world. By global standards, war preparation in this region has been extremely intense whether measured by military spending, arms import or economic burden to the states.[248] Syrian war preparation began to intensify after the 1967 war as a direct reaction to the external threat environment. Israel won a victory over the Arab states and Syria lost the Golan Heights in the Six Day War. War preparation was advanced with the purpose of regaining the lost territory and to ensure a victory by a strategic parity in the possible future wars with Israel. War preparation was done by increasing the size of the army in manpower and sophistication and acquiring new weaponry. War preparation

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[248] Cordesman, Anthony H. *The Military Balance in the Middle East – An Analytic Overview: Military Expenditures and Arms Transfers, Major Arms by Country and Zone, and Qualitative Trends.* Center for Strategic and International Studies, Washington D.C. 17 March 2004, p. 29.

efforts intensified between the wars of 1967 and 1973. As the following tables show, with the exception of the war year of 1973, the highest war preparation measured by total military spending (military budget and arms imports) was between 1979 and 1983, when the spending amounted every year to at least 27% of GDP, reaching the highest figure, 38% of GDP, in 1980. Generally, the total military spending remained very high in 1976-1988, when the figure consistently stayed over 18% of GDP. During this time, the expenditures grew first until 1980 and declined gradually throughout the 1980s. The overall military expenditure grew from 20% of GDP in 1976 to 30% in 1979 and again to 38% in 1980, falling thereafter to 20% in 1985 and a little over 12% 1990 (see following table). Altogether, according to Clawson, between 1976 and 1988 there was a 50% expansion in the size of the army.[249] The reason for an increase in military spending from the end of the 1970s was the separate peace between Egypt and Israel, which necessitated a Syrian urge for strategic parity to confront Israel alone. Ten per cent of the Syrian army was also tied in Lebanon, which increased the need for military expenditure and arms imports.[250]

The intensity of war preparation did not, however, completely reflect the threat level. Moreover, it reflected the availability of funding for war preparation. The availability of the external revenues promoted the intensified war preparation. The decline in war preparation was simultaneous to the decline in military aid. As the preceding chapters have shown, aid declined towards the end of the 1980s. The military budget did not increase much between 1984 and 1988.[251] The slowdown in military build-up took place after the Lebanon conflict. Syria's bad economic performance towards the end of the 1980s also contributed to cuts in spending.[252]

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[249] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 3.
[250] Ibid, pp. 5-7
[251] Ibid, p.5. Manpower figures are from US Arms Control & Disarmament Agency, Annual World Military Expenditure and Arms Trust. For figures on military equipment, see International Institute for Security Studies, Military Balance.
[252] Ibid, pp. 7, 11.

Table 19:[253]

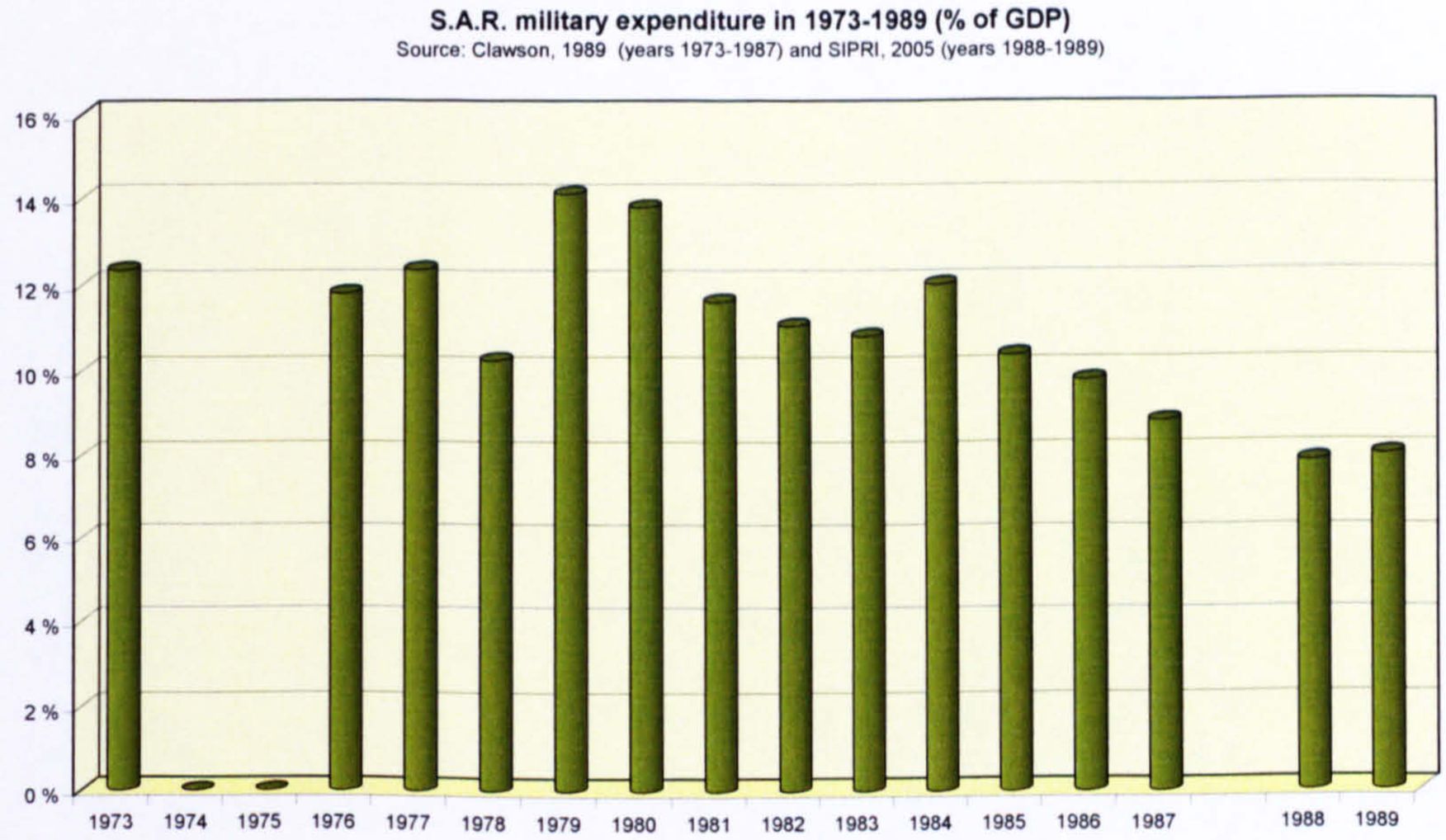
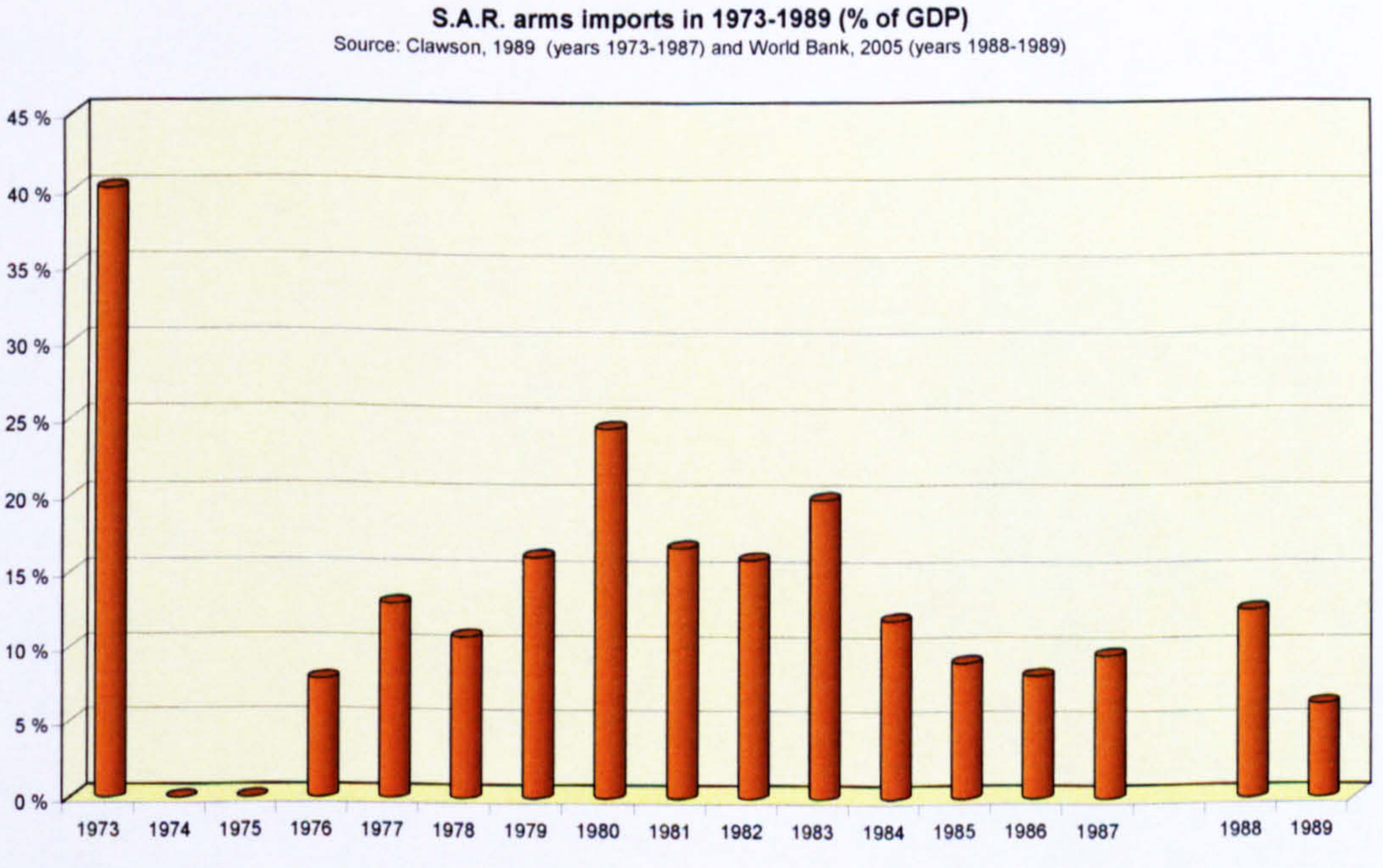
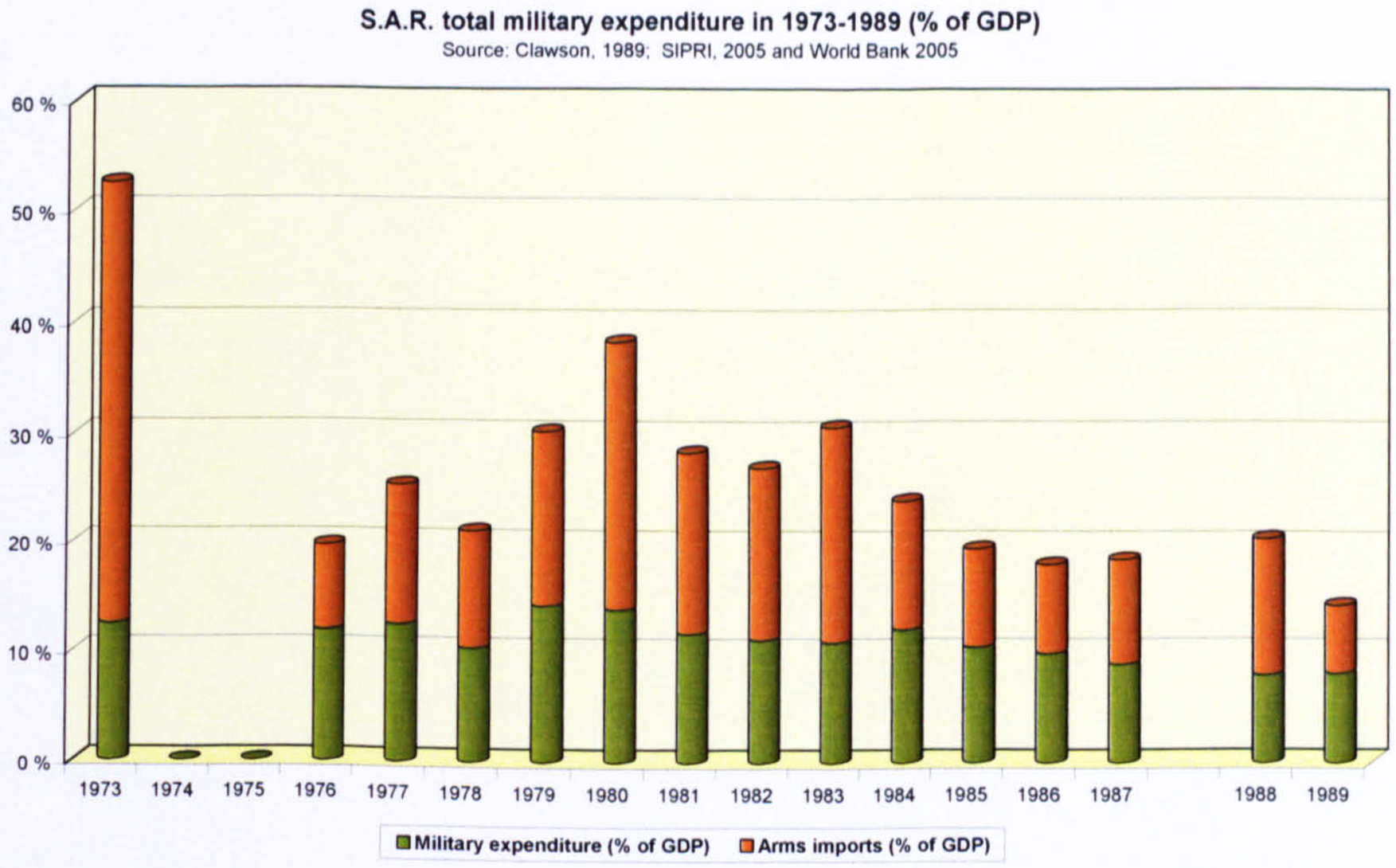


Table 20:[254]



[253] Values for 1977 and 1978 are an average of the total value given for the two years.
[254] Values for 1977 and 1978 are an average of the total value given for the two years.

Table 21:



Clawson has estimated that between 1977 and 1988 Syria spent an average of 14% of GDP on war preparation excluding arms imports, which was mostly funded by foreign aid. The normal level for a Third World country would have been around 4%. Syria therefore used on average 10% more of its annual GDP to fund war preparation in comparison to other Third World states. These figures seem to be somewhat higher than those presented here.[255] War preparation burdened the government budget significantly. What kind of extraction strategies did the Syrian regime use to cover the financial burden of war preparation? The external revenue consisting mainly of external aid until 1990 appears to have financed most militarization. Much of this military aid was from the Soviet Union and the Arab countries, as mentioned in the previous chapter. Clawson has calculated that aid financed two-thirds of the military build-up that exceeded a normal level of military build-up of a third world state.[256]

In this research, to evaluate the burden of war preparation to state fiscal capabilities, an analysis is first made of the relationship between military spending and external revenues, secondly the domestic revenues and

[255] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 19.
[256] Ibid, p. 18.

military spending, and thirdly of overall revenues and military spending. The following tables show that at the minimum level, the external revenues were only 3.7% of GDP lower than total military expenditures including arms imports in 1976 and 0.3% lower in 1979. At the maximum level, the external revenues were 12.5% of GDP lower than total military expenditures in 1980 and 18.6% in 1983. As the tables show, domestic extraction would not have sufficed to cover military spending in the 1980s, not to mention spending for other governmental expenses. As a result of the external extraction, however, domestic extraction was not very high.

According to these figures, on average, the annual military expenditure was 25.9% of GDP between 1973 and 1989. During the same time period, the annual average revenues from taxation were 12.2% of GDP.[257] The share of military expenditure of domestic revenue was 94.5%. This most clearly proves how impossible the build up of the military might would have been domestically without the external funding. The external revenues were, however, not enough to fund war preparation entirely. Annually, military expenditure was accorded an average of 165% of the external revenues from 1976 to 1989. Compared to total revenues, the military expenditure accounted for 55.8% annually between 1976 and 1989.

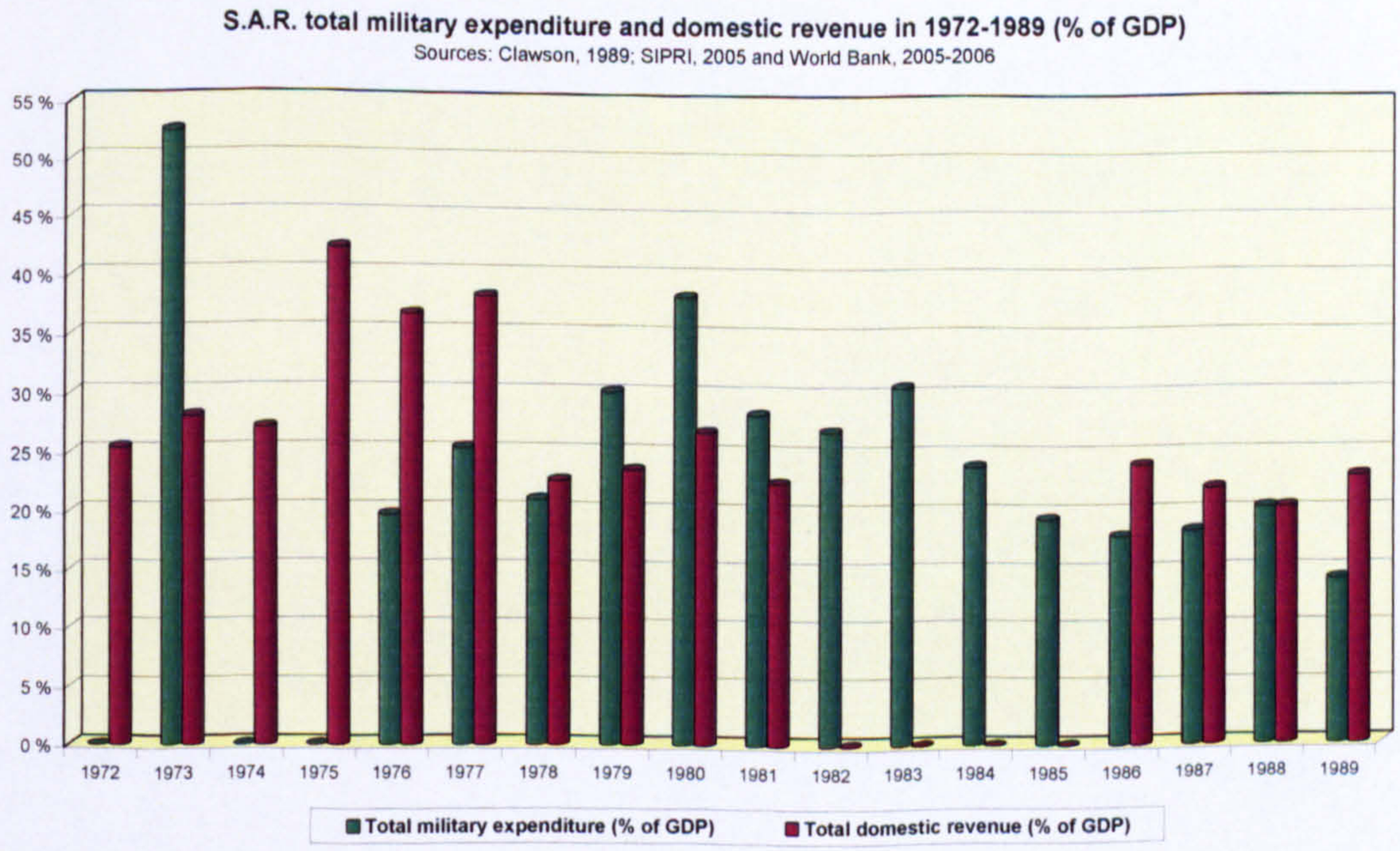
Indeed, external extraction paid for most of the military build-up and domestic extraction was minimal. Furthermore, according to Clawson, the economic burden of war preparation domestically was not high. According to him, the build-up that was additional to a normal level of a Third World country cost tax payers only 5% of GDP. Should Syria have invested in the military at the level of a normal Third World county, the average burden of military to the taxpayers would have been 2.5% of GDP. Indeed, Syria did not increase taxation for war preparation purposes. After the aid began to decrease, Syria reduced military spending instead of increasing domestic extraction.[258] The low level of domestic extraction is remarkable in

[257] International Monetary Fund. International Financial Statistics, October 2006.
[258] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", pp. 13, 18-20.

comparison. According to the figures of Clawson, when Syrian military build-up reached 39% of GDP, taxes covered only 13% of the spending. When military spending in Israel was 25% of GDP, taxes covered 45% of this spending. In both cases, most of the militarization was funded by foreign aid. This illustrates how large the extent was to which Syrian foreign aid covered its military spending.[259]

If one looks at all government revenues, both domestic and external, and relates the military expenses to it, the financial burden from war preparation does not indeed appear to be large. However, the tables show that military expenditure took the largest share of the state budget at least between 1979 and 1981, most likely also few years later, but this can not be confirmed as the figures from those years are not available for this research. The decreased ability to spend on needs other than war preparation during those years coincided with the Islamist uprising of 1978-1983, culminating in 1982.[260] This raises the question of whether the war preparation burdened the economy during that period in such a way that it could be a partial explanation for the increased opposition to the regime.

Table 22:



[259] Ibid, pp. 19-20.

[260] It should be noted however that the end of 1980s, years 1986-1987 also show very low ability to spend on other than war preparation.

Table 23:

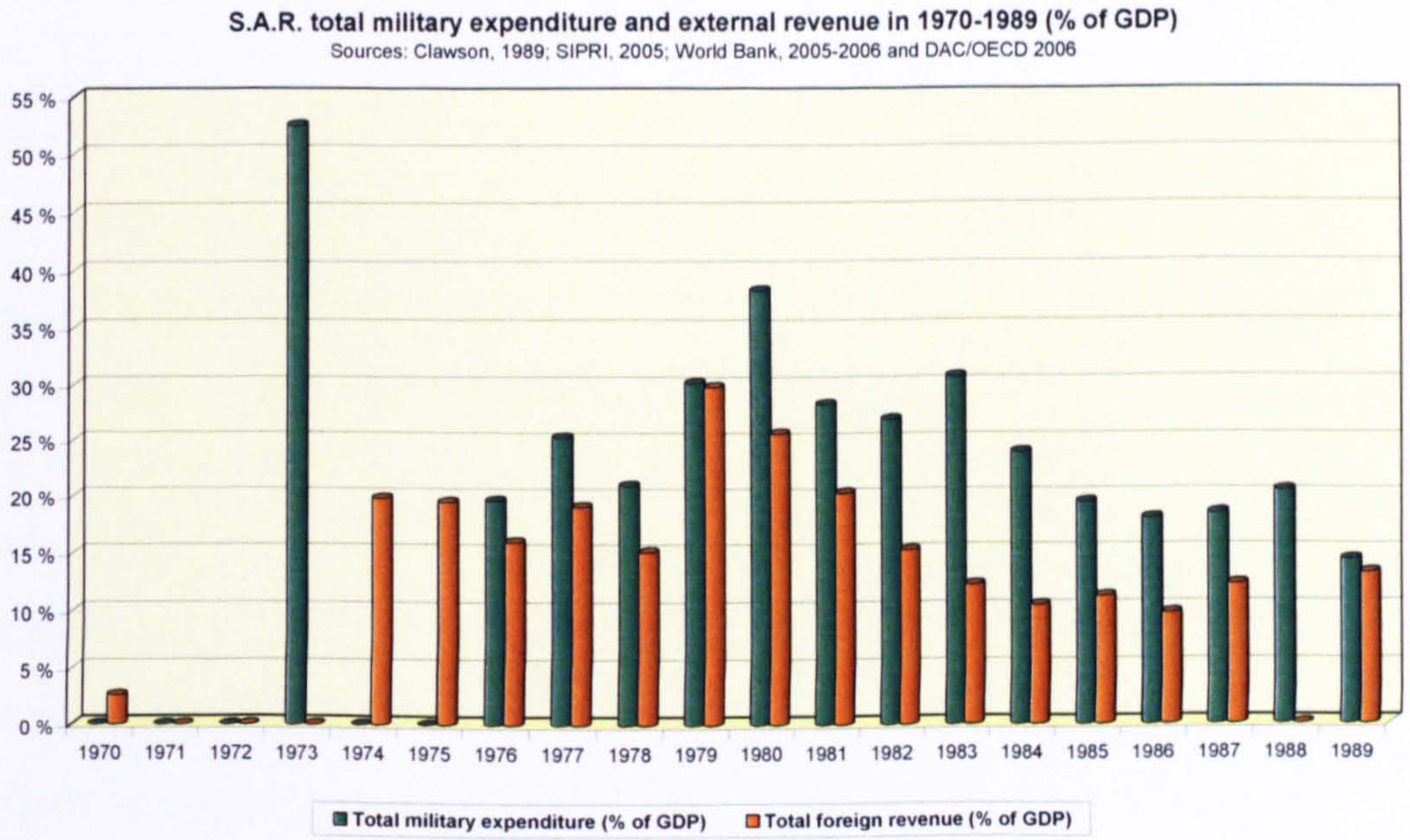
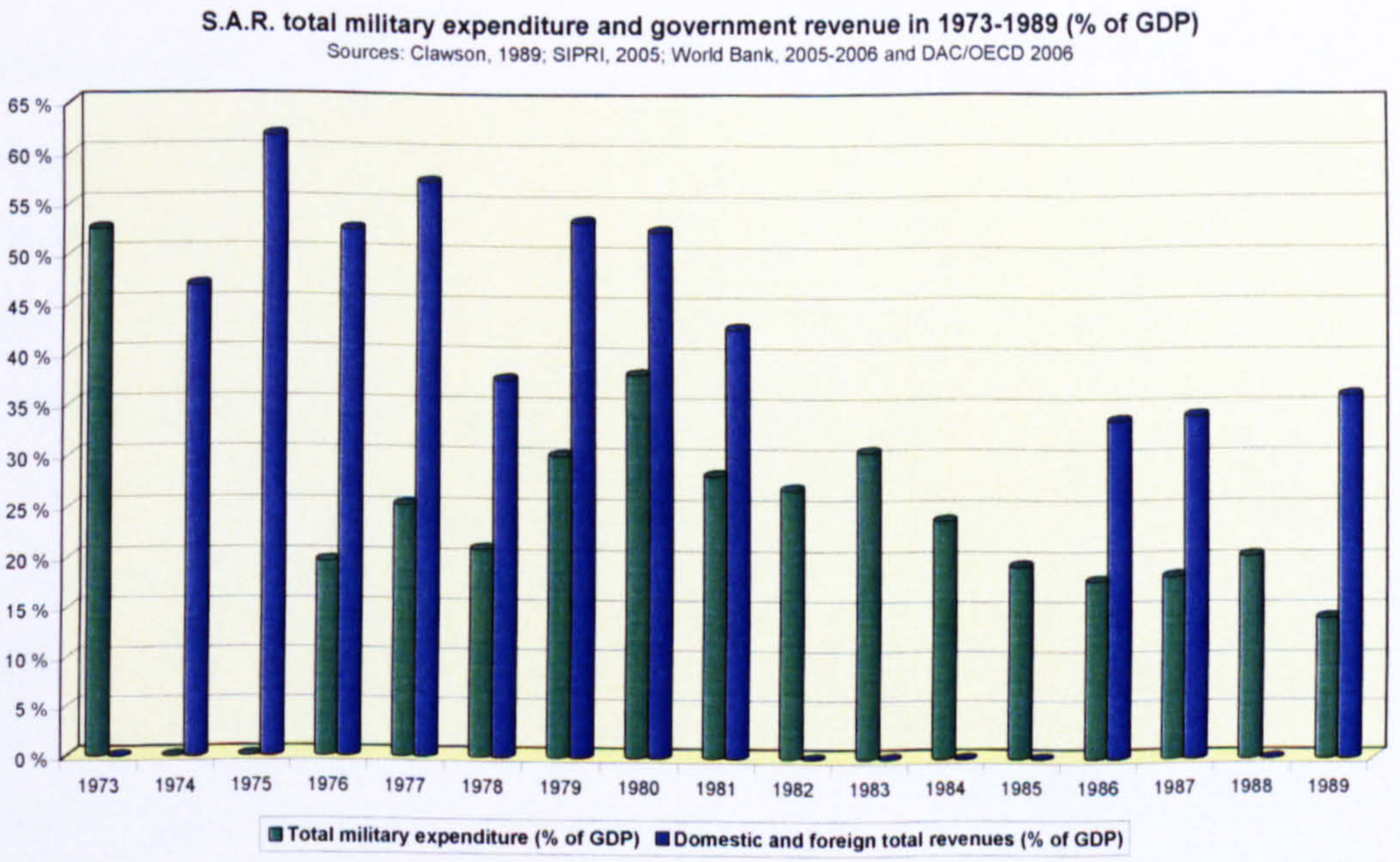


Table 24:



All in all, however, the Syrian government had the financial resources to promote war preparation without burdening the domestic public too much. Because the domestic extraction was very small, there was no need for political bargaining in the form of changing economic structures of the state or political liberalization in order to broaden the power base of the regime. War preparation, therefore, did not lead to moves towards democratization. In comparison, in Egypt, according to Barnett, war preparation necessitated

so much domestic extraction, that this prompted the move to economic and political liberalization.[261]

In Syria, war preparation was overall a beneficial instrument for the regime to increase its financial capabilities. Financially, war preparation had a positive impact on the domestic economy; the build-up benefited the civilian sector and created jobs.[262] More importantly, military spending also brought more foreign aid. War preparation was not designed only for extracting aid but for defending national security, although war preparation did indeed help Syria economically.[263] It would seem that the war preparation was also necessary for the ability to extract foreign aid. Syria would not have obtained such a level of external aid had it not spent on military build-up.[264]

War preparation and coercive capabilities

Military build-up also strongly enforced the coercive capabilities of the state through the expansion of weaponry, manpower in the security sector and the importance of the army. War preparation provided protection for the state and the regime against external enemies, but also provided means for building a strong authoritarian security state.

The growth of the armies in Syria as well as in other Arab states started already in the 1950s and 1960s. Despite the birth of Arab sovereign states in the midst of the 1948 war with Israel, the war preparation need can be largely explained by the state-building need of newly independent states. New states needed to fulfil the function of a sovereign state by taking control of external security and "monopoly of violence" internally. Militarization of the first decades had very much a domestic function as well, as the regimes were continuously challenged by domestic opponents.

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[261] Barnett, *Confronting the Costs of War. Military Power, State and Society in Egypt and Israel*, p. xi.
[262] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 31.
[263] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", pp. 158-159.
[264] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 31.

Militarization served as a tool against criticism and a means for social mobilization that had an impact on the political support base and legitimacy of the state.[265] The regimes did not consolidate, however, but the army was politicized and involved in power struggles and consecutive coups.[266] The main effect on war preparation following the loss of the 1967 war was military disengagement, which helped to consolidate power and eliminated a significant source of challenge to the regime. Due to the external threat together with the consolidation of the Ba'athist rule by Asad in 1970, the military was disengaged from politics and it became more professionalized. Military involvement in politics decreased and the central concern of the regime was to eliminate the possibility of an army coup.[267] Gaining the upper hand with the army and centralizing the political decision-making clearly enhanced the consolidation of the state. Whereas military disengagement is often connected to democratization, in this case it was the military-born leadership that consolidated authoritarian rule by securing the regime through disengaged military forces.

After Asad came to power in 1970, his main aim was to tie domestic resources to the war effort and create domestic unity and cohesion to confront the external enemy.[268] Repeated revolutions and power struggles were seen to have weakened Syrian ability to confront external enemies causing the losses of territory in the war.[269] The construction of a security

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[265] Heydemann, *War, Institutions and Social Change in the Middle East,* pp. 14, 18-19. For Role of the military in Syria as a result of the 1948 war see Owen, *State, Power and Politics in the Making of the Modern Middle East*, p. 180.

[266] Domestic instability level was extremely high before intense war preparation. See table by Hudson, Michael C. *Arab Politics: The Search for Legitimacy.* New Heaven and London: Yale University Press, 1977, pp. 405-410.

[267] This appeared in most of the Arab states to a certain extent. Owen, *State, Power and Politics in the Making of the Modern Middle East*, pp. 181-182.

[268]The Ba'ath party had been split between those who preferred focusing on domestic social revolution and those who preferred to recover lands as a first priority. Asad won the power struggle by 1968. Hinnebusch, *Syria. Revolution from Above*, p. 58.

[269] Hinnebusch, Raymond. "Globalization and Generational Change: Syrian Foreign Policy between Regional Conflict and European Partnership". In Nonneman, Gerd (Ed.), *Analyzing Middle Eastern Foreign Policies and the Relationship with Europe.* London: Routledge, 2005, p. 84. Domestic reasons for war preparation need are seen by some scholars to have been very decisive in addition to confronting external enemy. According to Clawson, military build-up was also motivated by enhancing the legitimacy of the Alawi-rulers. Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", pp. 5-6.

state and concentration of power was therefore widely seen as legitimate. In addition to disengaging and professionalizing the army, state and society were to be mobilized for war preparation. According to a statement from 1971... "for the advancement of which all resources and manpower (would be) mobilized (was to be) the liberation of the occupied territories."[270] This policy further enforced authoritarianism. The importance of the external threat to state consolidation and the creation of authoritarian rule has been considered important in previous research. Hinnebusch concludes that "the need for a powerful state able to monopolize the country for development and defence was widely thought to take precedure over political liberalism".[271] State-society relations were structured to serve the national interest also according to Quilliam: "Asad's most immediate concern was to construct a durable state in order that Syria might fulfil its regional ambitions."[272] According to Volker Perthes, war preparation helped state consolidation because it allowed extraction of strategic rents and it gave means to organize a power structure and legitimate the regime.[273] War preparation indeed enhanced coercive and institutional powers of the state.

The growth of the army, bureaucratization and a state-driven economy, were all enforced as a result of war preparation and the share of the population that was economically dependent of the state rose. Re-organization of the economy and state employment, made possible by an external rent-driven economy, created the means for socio-economic surgery that helped to contain and co-opt the Sunni bourgeoisie, and allowed the drafting of the politically loyal Allawis for the army and bureaucracy. All this fundamentally changed class structures in Syria.

The increase in army manpower helped in the move to tie citizens' interests to those of the state. In 1970, Syrian armed forces had 80,000 men (13/1000), and in 1990 430,000 men (35/1000). This expansion in

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[270] Hinnebusch, *Syria. Revolution from Above*, p. 65.
[271] Ibid, p. 38.
[272] Quilliam, *Syria and the New World Order*, pp. 68-69, 100-101.
[273] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", pp. 150-151.

manpower occurred mainly after 1974.[274] According to Clawson, the army employed 12% of the male population in 1984, 21% of the male labour force and 90% of civil servants.[275] According to Perthes, in the beginning of the 1990s, almost 50% of state-employed workers were in the security sector, reaching 15 % of total workforce.[276]

Table 25:[277]

Asad ensured the support of the army by appointments along personal, familial, regional, ethnic and ideological lines.[278] Already during the French mandate, the army recruited significantly from minority groups.[279] From 1963, the army recruits were mainly Allawis and Sunnis from rural areas. According to Zisser, by the year 2000, 90% of officials occupying a rank of a general were Allawis.[280] In the early years of war preparation, the army provided a vehicle for inclusion. According to Ayubi, in its later years the

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[274] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", p. 152.
[275] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 21.
[276] This estimate includes security apparatus, armed forces, *mukhabarat*, civilians in Ministry of Defence companies, the army and the police. Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", p. 155.
[277] Data is not available for 1966-69, 1971-79, 1981-84 and 1986-1988.
[278] Zisser, Eyal. *The Syrian Army: Between the Domestic and External Fronts.* MERIA, Vol. 5, No. 1, March 2001, pp. 1-12, p. 5.
[279] Ibid, p. 3.
[280] Ibid, p.5.

army also became a vehicle in constraining demands in alliance with upper bourgeoisie. [281]

To ensure the loyalty of the army, in addition to favouring the Allawi sect, economic benefits ensured that the army was kept out of politics. First of all, army appointments were personal and political, not professional, and positions were held for a significantly long time.[282] The army also guaranteed some economic benefits. In Syria, the military gained most from Syria's presence in Lebanon. Military officials took unofficial tax or bribes from smuggled goods between Syria and Lebanon. [283] However, the economic activities of the army in Syria have not been as developed as for example in Jordan or Egypt, because the actual war preparation need in Syria was larger.[284] One of the main tools for the state to maintain legitimacy among the highest officials in the army was the access to political influence. The army also bore influence within the party, and high officers had access to high levels in the power hierarchy, which guaranteed channels for wealth creation.[285] Army officers were often also appointed to high positions in the Ba'ath party. The army had many members in the Central Committee and the Regional Command.

The security sector was broadened to include a large intelligence service network. The loyalty of the army was also guaranteed by security apparatus inside the army. Specific forces were also designed to guarantee regime security, to defend the regime against both internal and external threats. These forces have been most well-equipped and almost solely Allawi. They have been directed by the president, not by the army command. After an internal power struggle within the regime in 1983, new forces, the Republican Guard Division, took care of the security of the regime - most

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[281] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 277.
[282] Zisser, *The Syrian Army: Between the Domestic and External Fronts*, p. 6
[283] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 29. Owen, *State, Power and Politics in the Making of the Modern Middle East*, p. 29.
[284] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, pp. 277-276, 185.
[285] Owen, *State, Power and Politics in the Making of the Modern Middle East*, p. 185. On similarities to Latin America, see Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 278.

importantly the president. The loyalty of these forces was guaranteed by family and sect appointments: for example, three sons of Hafez served in this unit. The army stayed loyal. The best proof of this was the crushing of the Islamist rebellion in 1982 and the handling of the challenge towards President Asad by his brother Rif'at in 1983.[286]

Despite the strong role of the army in the Syrian power structure, Syria has never been a military dictatorship but "a dictatorship in which the military wields strong influence", as Perthes puts it. The president is from the army ranks. The army personnel occupy high positions in the government. The army is supreme to government in decisions of military budget and state security. However, the army is subjected to the regime leadership and it could not challenge the regime.[287] Indeed, military regimes have proved very long lasting in the Middle East. As the military rule provides coercive mechanisms for the ruling regime, there have been no coups and no need for greater legitimacy or participation.[288] The war preparation of the 1970s and 1980s indeed created powerful coercion capabilities for the state. This enhanced state power and added to the authoritarian nature of the state.

War preparation and institutional capabilities

War preparation also affected the institutional capabilities of the state and the creation of the political power structures that made Syria authoritarian. War preparation affected the centralization of political power, the formation of the political system along the three pillars of the president, the party and the army, and organizing the political power relations between them in a hierarchical, army-like manner. The need for strong leadership increased the importance of the institution of the presidency and affected the personalization of the presidency so that the institutional powers and the person acting as the president were intertwined.[289] The three pillars of power

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[286] Zisser, *The Syrian Army: Between the Domestic and External Fronts*, pp. 4-5.
[287] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", p. 153.
[288] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 265.
[289] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 7.

were reflected in the institutional powers of the president. The president was the president of the republic, secretary-general of the party and general commander of the army.[290] In addition to the president, the strong role of the party and the army in decision-making over the government was to some extent caused by war preparation. The twin roles of the party as a political organization and as a security apparatus overlapped.[291] Similarly to the army, the Ba'ath party had a mobilization, control and decision-making function. From within, the Ba'ath party was also structured in a quasi-military manner.[292] In general, the external threat and war preparation affected political culture by legitimating these hierarchical structures. The political decision-making culture was very personalized, and included top-down commands.[293]

War preparation also increased the legitimacy of the state. It affected political culture by enhancing nation-building, promoting national unity, enhancing national identity and socialization to Ba'athist ideology.[294] The external threat helped to boost national identity and there was a break down of local, ethnic, religious and tribal loyalties.[295] The external threat was used for legitimacy by constantly reminding the population of the need for war preparation. Until this day, there continues to be an annual day of unpaid voluntary labour and a special tax from business profits for defence. There are regular military parades. High schools and universities have had mandatory military training programs and schools have special combat courses. Military uniforms were worn until 2005 at schools.[296] The need for war effort is repeated in numerous school books. Most notably during domestic unrest, the primacy of fighting the external enemy has traditionally

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[290] Zisser, *The Syrian Army: Between the Domestic and External Fronts*, p. 1.
[291] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", p. 154.
[292] Hinnebusch, *Syria. Revolution from Above*, p. 65.
[293] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", p. 154.
[294] Quilliam, *Syria and the New World Order*, p. 68.
[295] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", p. 157, see also Wedeen, Lisa. "Acting 'As If': Symbolic Politics and Social Control in Syria." *Comparative Studies in Society and History*, Vol. 40, No. 3, July 1998, pp. 503-523.
[296] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", pp. 154-156.

been highlighted to the population. Indeed, this method had often increased regime legitimacy. As an example, Perthes points to how events in Lebanon in 1982 helped Syria to silence its domestic opposition.[297]

As a conclusion, during the studied era, the Syrian regime became very authoritarian, stable and able to confront challenges. Hinnebusch emphasized the domestic structures, the three pillars of the political power and the socio-economic structures as the main reasons for Syrian authoritarianism. This chapter has shown that the external security and fiscal environment greatly contributed to the formation of these structures. The external environment gave strong fiscal, coercive and institutional capabilities to the state, which enhanced state power by increasing the autonomy, efficiency and the legitimacy of the state. The enforcement of these capabilities took place simultaneously with the consolidation of the regime and the build-up of the authoritarian state. Once the authoritarian structures were created, the state only had to assure the continuity of sufficient fiscal, coercive and institutional capabilities to maintain the political status quo.

3.4 Conclusions

From the 1970s until 1989, external security and the fiscal environment greatly contributed to the building of the authoritarian state. The security environment was defined by the Cold War and the Arab-Israeli conflict, which provided both military pressures and opportunities for maximizing security and economic gains. Alliance with the USSR and the pan-Arab commitment that deepened relations with the Gulf states offered the means to dilute the military pressure from Israel and maximize economic benefits to secure the state and the regime. In practice, the alliance with a superpower gave security guarantees for Syria, as did the joint pan-Arab front, although to a much lesser degree. The alliance with the USSR and other Arab states brought with it the financial means for war preparation,

[297] Ibid, pp. 156-157.

which was forged to secure the state militarily. The military alliances also secured the regime.

The security needs are argued to have been the most important foreign policy goal, but as a side product the "fiscal or budget security" of the state grew significantly. The external extraction affected the regime profoundly because the availability of the external revenues shaped the economic structures and policies of the state that benefited the regime. In practice, Syria received USSR arms generally worth from over $500 up to $3500 million annually (1976-1990), and economic aid from the Arab states worth from $400 up to $1600 million annually (1974-1987). Although a detailed analysis of the determinants of Syrian foreign policy during the time period does not feature in this research, and although the security aspects can be assumed to have been more important than the economic at the time, one could suggest based on this research that the economic gains must have held an enormous weight in foreign policy, as these revenues were needed both to confront Israel and to increase regime stability.

The external security and fiscal environment boosted the fiscal capabilities of the state. Syria bore features of a semi-rentier state economy from 1970 because of the high levels of foreign aid and oil-related revenue. The annual average share of external revenues of total revenues was 39.1% of GDP during this study period, overall rents varying between 9.7% and 29.9% of GDP in 1974-1989. An important finding of this research is also that the aid-related revenue seems to be over-emphasized in comparison to oil export revenue already during the Cold War. The average annual oil export revenue was actually higher (8.7% of GDP) than aid (7.7% of GDP) during the entire study period (1974-1989). Towards the end of the 1970s and at the beginning of the 1980s, when aid income is highlighted as being very high, the average annual fuel export revenue was very close to the same level. From 1981, fuel export revenues were constantly higher than aid income. The analysis in this chapter has shown that the external revenues covered much of the war preparation, external revenues being only 0.3% - 18.6% of GDP lower than the military expenses.

The main conclusion related to the fiscal capabilities, therefore, is that the Syrian public did not pay much for the war preparation through higher taxation, which would have demanded necessary bargaining with the public by participation. The second conclusion is that because of the increased fiscal capabilities, the state was able to consolidate the restructuring of the economy, and it gained features of a rentier state economy. The restructuring meant the abolishment of the entire liberal economic order through nationalizations and land reform and the construction of a state-led economy, which became the foundation of the rule of the regime. The state led and controlled the economic development, there was extensive state ownership and a large public sector. The economy was based on allocation rather than production. The state spent on investments, services and subsidies and employed over 30% of population by the 1980s. Finally, the co-option policy, especially the creation of the dependent bourgeoisie that supported the state, guaranteed that the power base of the regime was broad enough, so that there would be no need to share power by increasing participation.

The external security and fiscal environment also boosted the coercive capabilities of the state. With almost no extra cost to the state or the public, the external revenues used for war preparation built a military might that also provided the coercive capabilities for the state. Already the share of the population employed by the security sector helped to tie interests to the state. By the 1990s, this was almost 50% of the state-employed and 15% of the total workforce. The socio-economic design, involving army recruitment and appointments was perhaps the most important tool for strengthening the power base of the state.

The external security and fiscal environment can also be argued to have affected the institutional capabilities of the state and the political system of authoritarianism. The state institutional capabilities that became rooted in the political system of three pillars: the army, the party and the president, were influenced by the external environment as the war preparation gave the

presidency its supremacy and as the role of the army rose in political importance.

The increased fiscal capabilities attributable to external extraction alone would most likely not have been able to stabilize the authoritarian regime, but in addition to war preparation, without much war-waging, they created authoritarianism. It is important to note that Syria did not experience enough costly war-waging to become more democratic, as Israel and Egypt did. This was because Syria had greater external revenues.

The Syrian foreign policy during the Cold War supported state-building. The 1970s sealed the consolidation of the state and the regime of Asad. As in any state-building process, the Syrian state gained the means to control society. This chapter has demonstrated how much of the means derived from the external environment. The external security and fiscal environment gave the means for increasing the coercive capabilities through war preparation and increased fiscal resources and made the state the dominant economic actor responsible for employment, investment, welfare allocation and services. Typical to the consolidation of a state in a state-building process, the Syrian state also used coercion and central control for eliminating rivals and supporting parties that supported their rule. Creating a state-led economy and the socio-economic change that came with it was the main example of this. The old power structures were destroyed by nationalizations and new rules of allocation were put in place, which supported the social groups behind the regime. The pan-Arab, pro-Palestinian and anti-Western discourse and the discourse about military threat from Israel also forged nation-building, creating unity in the face of perceived and actual external aggression. This benefited the legitimacy of the state and its regime, particularly its ruler Hafez al-Asad. Syrian foreign policy therefore supported state-building and nation-building and in this process benefited the state with respect to civil society. Following this consolidation, as the Syrian state had external resources, it did not move to extract resources from the population, which would have required it to compromise its rule and increase participation.

The state had founded its pillars of power against the society. After consolidation, despite problems related to state spending, there was no opening of the political space as the following chapters show. This is again argued to be attributable to the gains from the external environment.

4 External influence on Syrian authoritarianism 1990-1999

4.1 International and regional gains and pressures

This chapter analyzes the gains and losses for Syria from the external security and fiscal environment after the Cold War. The end of the Cold War seriously weakened Syria's regional and international position after the fall of the superpower ally and strengthened the position of the United States and its allies, mainly Israel. The balance of power shifted strongly to the US and its allies and left the remaining Syria, Iran and Iraq without the ability to build strong regional alliances. Another important factor defining the Syrian external environment was the shift from war preparation to regional peace-making and the practical end to pan-Arab commitments. Although Syria was included in the peace efforts, in the end Syria and Lebanon remained alone without a peace accord with Israel. Despite these fundamental changes in the Syrian external environment, there were significant gains from the external environment, which explain why Syria adapted well to the changing international and regional order.

External security environment in the context of regional peace-making

During the 1990s, the Arab-Israeli conflict was reduced for the most part to the Israeli-Syrian conflict, since the PLO and Israel signed an interim agreement in 1993 and Jordan signed a peace treaty with Israel in 1995. The overall commitment of the Arab states to the Palestinian issue declined. The reduction of regional tension was partly attributable to the end of the Cold War, but was primarily caused by changes within the region itself.[298] The agreements by Jordan and the PLO with Israel further isolated Syria, leaving Syria the only "front-line" state without a peace agreement, with only Syrian-dominated Lebanon joining the non-peace camp. After the PLO recognized and negotiated with Israel, both the Arab cause and the

[298] Sela, *The Decline of the Arab-Israeli Conflict. Middle East Politics and the Quest for Regional Order*, p. 350.

Palestinian cause lost their legitimacy within Syrian foreign policy and the Syrian conflict with Israel over the Golan Heights was somewhat marginalized from the broader Middle East security context. This position, both an outcast from the peace camp and a state outside the US sphere of alliance, can be argued to have been most defining in shaping Syria's regional and international position from the 1990s. Particularly at the beginning of the decade, Syria was able to reposition itself, despite the deteriorating external environment.

Syria started to lose its superpower ally already before the Soviet Union fell. Soviet policy changed as of the implementation of perestroika. The Soviets were particularly frustrated by the Syrian lack of moderation in regional affairs.[299] The USSR reduced its military aid to Syria significantly from 1985, continued to refuse to sell long-range missiles and demanded arms sales for immediate payment.[300] Syria could therefore not fully count on political, military and economic support of a superpower at the end of the 1980s. The loss of superpower protection exposed Syria to influence of the new regional order dominated by the US.

The end of the Cold War did not eliminate the penetration of the external powers in the Middle East, quite the contrary. The US hegemonic position required that the regional states lean on the US in any significant quest for political power in the region. Globalization also increased the vulnerability of the Middle Eastern states to their external environment. Although the Cold War lent its specific mark to the manner in which local powers pursued their interests of security and financial benefits from the Cold War rivals, after the Cold War, the dynamics between external actors and local powers did not really change. States in the region still aimed to maximize their security and financial benefits from the external patron. Local powers still used penetrating external powers to achieve their own interests. However, the forms and rules of benefits changed. Instead of subsidized arms supplies

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[299] Karsh, *Soviet Policy towards Syria since 1970*, pp. 175-177.
[300] Ma'oz, Moshe. *Syria and Israel. From War to Peacemaking.* Oxford: Clarendon Press, 1995, p. 205.

and unconditional economic aid, the external actors now mainly offered full-price arms purchases, cooperation in arms development, trade, economic incentives and investments.

The Syrian strategy was to simultaneously ally against and bandwagon with the US.[301] This is because Syria had two conflicting aims: to diminish the influence of the US and its allies in the region, and to gain from the hegemony particularly in terms of pressuring Israel. A significant example of such "bandwagoning" was Syria's participation in the Gulf war against Iraq and the peace process.[302] Syrian relations with Iraq during UN sanctions, alliance to Iran and a continuing policy of support for the Palestinian rejectionist movements and Hizbollah serve as examples of balancing the US and the Israeli power in the region.

Syria participated in the Gulf war along the side of the US and Israel because it felt increasingly isolated in the Arab world. Syria needed to position itself on the map of the new world order, in which Syria found itself more vulnerable. The Gulf war provided a chance for regional re-engagement, particularly with the Gulf states. This was important for economic reasons and for regaining their political backing following the deterioration of relations after the Syrian rejectionist policies to peace initiatives and support for Iran. According to Hinnebusch's analysis, this all should be seen in the light of the Syrian need to recover its position of power in the conflict with Israel. This it also managed to do. The Gulf war coalition was instrumental in gaining political commitment from the US, Cairo and Riyadh for Syria's struggle with Israel.[303] Syria also managed to conduct this strategic u-turn without compromising its Arab nationalist agenda.[304] In return for its participation in the war against Iraq, Syria managed to gain Arab support for its cause. More concretely, Syria managed

[301] Hinnebusch. "Globalization and Generational Change: Syrian Foreign Policy between Regional Conflict and European Partnership", p. 93.
[302] Hinnebusch, Raymond. "The Foreign Policy of Syria" in Hinnebusch, Reymond A, Ehteshami, Anoushiravan (Eds.). *Foreign Policies of the Middle East States*. Boulder: Lynne Rienner Publishers, 2001, pp. 141-167, pp. 160-162.
[303] Hinnebusch, *Syria. Revolution from Above*, p. 160. Quilliam, *Syria and the New World Order*, p. 161.
[304] Quilliam, *Syria and the New World Order*, pp. 3-4.

to obtain acknowledgement of its role in Lebanon, which enhanced Syria's role regionally vis-à-vis Israel. Syria also gained promises of a peace process[305] and economic rewards. Although Syria's position may have weakened significantly following the Cold War, the Gulf war shows how Syria was able to adapt and re-position itself, and balance the losses with some new gains.

The main gain could be seen as the positive signals from the US for the understanding of Syria's position in its conflict with Israel. The Syrian and the US position on basic parameters for negotiations seemed to be relatively aligned, which demonstrates that Syria was able to gain US understanding for its position. The US aimed for a comprehensive settlement of the Arab-Israel conflict based on US Security Council resolutions 242 and 338 and the principle of territory for peace.[306] This happened simultaneously with the change in Syria's position towards peace negotiations, influenced by the US's wishes. According to Moshe Maoz, a more pragmatic approach was developed from 1988 following recognition of the inability to gain a strategic balance with Israel and the loss of a superpower ally - in other words, after the loss of a viable military option. Syria conveyed messages of its readiness to negotiate throughout the year of 1990.[307] Around the middle of 1991, Syria was ready for negotiations. Indeed, Asad replied positively to the invitation of President Bush to the Madrid peace conference, held in October 1991.[308] This did not mean that Syria abandoned the military option. Syria resorted to it when the negotiations did not seem to generate any gains for Syria. The military option included continuing with militarization.[309] The most visible strategy in the struggle against Israel, however, was still the use of a proxy, namely Hizbollah, and support for Palestinian rejectionist movements.

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[305] Ibid, pp. 159-163.
[306] Ma'oz, *Syria and Israel. From War to Peacemaking*, p. 207.
[307] These included for example the meeting between Asad and Carter 14. March 1990.
[308] Ma'oz, *Syria and Israel. From War to Peacemaking*, p. 207.
[309] Ibid, pp. 202, 208.

Although Madrid did not bring any results, it opened the way for negotiations between Syria and Israel that continued until the 1996 Likud victory in Israel. Prime Minister Shimon Peres continued the negotiations in 1996 after the death of Yitzhak Rabin, but they were suspended during the Israeli elections. Under the new prime minister, Benyamin Netanyahu, official negotiations did not restart, but unofficial contacts were made. Although Netanyahu did take some initiative towards Syria, the talks resumed only after the Labour prime minister, Ehud Barak, took office in 1999.[310]

Syria made subsequent moves towards reaching an agreement during this negotiation period. Syria moved from not accepting negotiations at all to accepting indirect and multilateral negotiations at an international peace conference under the UN, on the condition that Israeli fully withdraw from all of "the occupied lands". In Madrid, Syria accepted direct negotiations without reference to prior Israeli withdrawal, but was not willing to accept full peace for entire Israeli withdrawal from Golan and other "occupied lands", but rather referred to non-belligerency, without recognizing Israel.[311] In March 1992, Syria showed signs of readiness to recognize Israel on the condition that Israel withdraw from Golan and other "occupied lands" and was considering a peace agreement. Later the same year, Syria gave statements accepting Israel for the first time and noting its security needs.[312] In September 1992, Syria was ready to accept 'a total peace' with Israel, but peace was still to be based on full withdrawal from all "occupied lands" and it should include all Arab parties, including the Palestinians.[313] In May 1993, Syria stated that peace agreements with different Arab parties can be made separately and bilaterally.[314] At the beginning of 1994, Syria indirectly expanded the meaning of 'peace' to include full normalization and diplomatic relations.[315] Negotiations did not, however, bring results.

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[310] Ben-Yehuda, Hemda and Sandler, Shmuel. *The Arab-Israeli Conflict Transformed.* Albany: State University of New York Press, 2002, p. 159.
[311] Ma'oz, *Syria and Israel. From War to Peacemaking*, p. 209.
[312] Ibid, pp. 216, 217.
[313] Ibid, pp. 226, 231.
[314] Ibid, p. 233.
[315] Ma'oz, *Syria and Israel. From War to Peacemaking*, pp. 242-243, 245.

Similarly to the Gulf war, this strategic turn to negotiations was done while maintaining consistency with foreign policy goals and Pan-Arab rhetoric. This meant that Syria preferred multilateral negotiations and a comprehensive settlement to the Arab-Israeli conflict.[316] Syria had some strategic power over Lebanon and also the PLO, who declared in 1991 that Syrian and Palestinian needs are identical[317], lending Syria some level of control over the Madrid multilateral negotiations between Israel and Syria, Lebanon and the Jordanian-Palestinian teams. Indeed, one of Israeli Prime Minister Rabin's considerations regarding negotiations with Syria was to keep them going in order that Syria would not interrupt the Israeli-Palestinian rapprochement.[318] After Israel opted for secret bilateral negotiations with the PLO and the surprise agreement in 1993, Syria's position was badly damaged. In public, Asad did not object to the agreement, and did not wish to obstruct it.[319] Syria's position was further weakened after the Israeli-Jordan non-belligerency declaration in July 1994, although publicly Syria considered it as part of the implementation of the comprehensive peace negotiations.[320] A peace agreement between Israel and Jordan followed October 1994. Syria was clearly left behind.

Syria kept its military option, but clearly counted on the political option. It used confrontational tactics to pressure Israel if the negotiations did not advance,[321] or if Syria objected to Israeli policies. For example, after Israeli Prime Minister Rabin announced that he would first opt for the Israeli-Palestinian peace and leave negotiations with Syria for a later stage, and after Rabin refused to agree to withdraw from the entire Golan, Syria activated Hizbollah in July 1993 to hit Israeli targets and provoked Israel into a week-long war against the guerrilla group in South-Lebanon.[322] Syria also used Hizbollah to demonstrate its unhappiness in November 1993 to the

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[316] Quilliam, *Syria and the New World Order*, p. 4.
[317] Ma'oz, *Syria and Israel. From War to Peacemaking*, p. 207.
[318] Ibid, p. 225.
[319] Ibid, p. 238.
[320] Ibid, p. 250.
[321] Ibid, p. 230.
[322] Ma'oz, *Syria and Israel. From War to Peacemaking*, p. 235.

Israeli pressure and preference for the Palestinian track after the Oslo agreement. Another week-long bout of fighting between Hizbollah and Israel took place in February 1994. On the other hand, Syria also used its control of Hizbollah as a positive signal to the Israelis, as happened later in 1994.[323] Very similarly to the 1993 conflict with Israel and Hizbollah, the fighting resumed again in April 1996 during the election campaign in Israel and a halt in Israeli-Syrian negotiations.[324]

During the 1990s, Syria also continued war preparation in addition to peace negotiations. Syria did not abandon militarization, although the intensity of militarization diminished from the moment that foreign aid ceased to fund a cheap war preparation strategy at the end of the 1980s. As noted earlier, Syria aimed to gain new sources of arms supplies and partly managed to satisfy its military needs. According to Maoz, Syria gained a major boost for its military build-up as it was able to use the aid from the Gulf that it acquired after the Gulf war for arms imports. Syria reportedly bought SCUD-missiles from North-Korea and tanks from Czechoslovakia.[325] Otherwise, the arms imports to Syria ceased. According to figures provided by SIPRI, arms imports indeed declined from 3% to less than 0.5 % between 1991 and 1994 and remained below 0.5% during the end of the decade. General military expenditure also remained below 6% for most of the decade.

Syrian relations with the US continued to be relatively good, considering the general US strategy to contain what it called the confrontational states of Iran, Iraq and Syria, and to engage with the moderate Arab regimes.[326] Syria also actively built alliances to counter the US hegemony and to balance against it. Globally, Syria turned to old and new partners. Syria imported cheap arms from the former Eastern Bloc and continued relations with

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[323] Ibid. pp. 244, 250.
[324] Ben-Yehuda and Sandler, *The Arab-Israeli Conflict Transformed,* pp. 159-169.
[325] Ma'oz, *Syria and Israel. From War to Peacemaking*, p. 208.
[326] Indyk, Martin. "Back to the Bazaar." *Foreign Affairs*, Vol. 81, No. 1, January/February 2002, p. 77.

Russia, which forgave Syrian loans.[327] Arms were also exported from China and North-Korea.[328]

Syria also formed relations with the EU. The European policies towards Syria from 1990 were somewhat similar to the US. Since the EU was established in 1992, it was slowly considered as a relatively significant actor in the Middle East. However, it could not counterbalance the US.[329] The proximity to the region was manifested in the Barcelona process, or the Euromed cooperation, from 1995. The main aim was to promote economic development and a framework for interdependence by means of a free trade area by 2010. The EU's policy towards Syria was based on integrating Syria through the Euromed, and helping Syria to prepare for globalization, economic restructuring and peace with Israel.[330] Syria did not, however, begin serious negotiations on the association agreement with the EU during the 1990s like several other Arab states.

Regionally, Syria also continued to seek a power balance through its alliances, and it managed to continue engaging with two opposing regional alliances. Syria continued its alliance with anti-US Iran and opened relations to Iraq at the end of the 1990s, despite the UN sanctions. As regards the pro-US alliance, Syria allied with Egypt and Saudi Arabia. Indeed, during the era of negotiations, Syria drew significantly closer to these US-allied, moderate regimes.[331] This balanced the deteriorating relations with Turkey, and increasingly warming relations between Turkey and Israel.[332] Later towards the end of the decade, Syria strengthened its ties to Turkey, Jordan and the PLO.

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[327] Hinnebusch, *Syria. Revolution from Above*, p. 161.
[328] Quilliam, *Syria and the New World Order*, pp. 131-132. Hinnebusch, *Syria. Revolution from Above*, p. 161.
[329] Hollis, Rosemary. "Europe in the Middle East." In Fawcett, Louise. *International Relations of the Middle East*. Oxford and New York: Oxford University Press, 2005, pp. 307-328, p. 316.
[330] Daalder, Ivo, Gnesotto, Nicole, Gordon, Philip (Eds.). Crescent of Crisis. U.S.-European Strategy for the Greater Middle East. Washington D.C: Brookings Institution Press, Paris: European Institution for Security Studies, 2006, p. 84, Hollis, Rosemary. "Europe in the Middle East", p. 317.
[331] Quilliam, *Syria and the New World Order*, p. 131.
[332] Hinnebusch, *Syria. Revolution from Above*, p. 161.

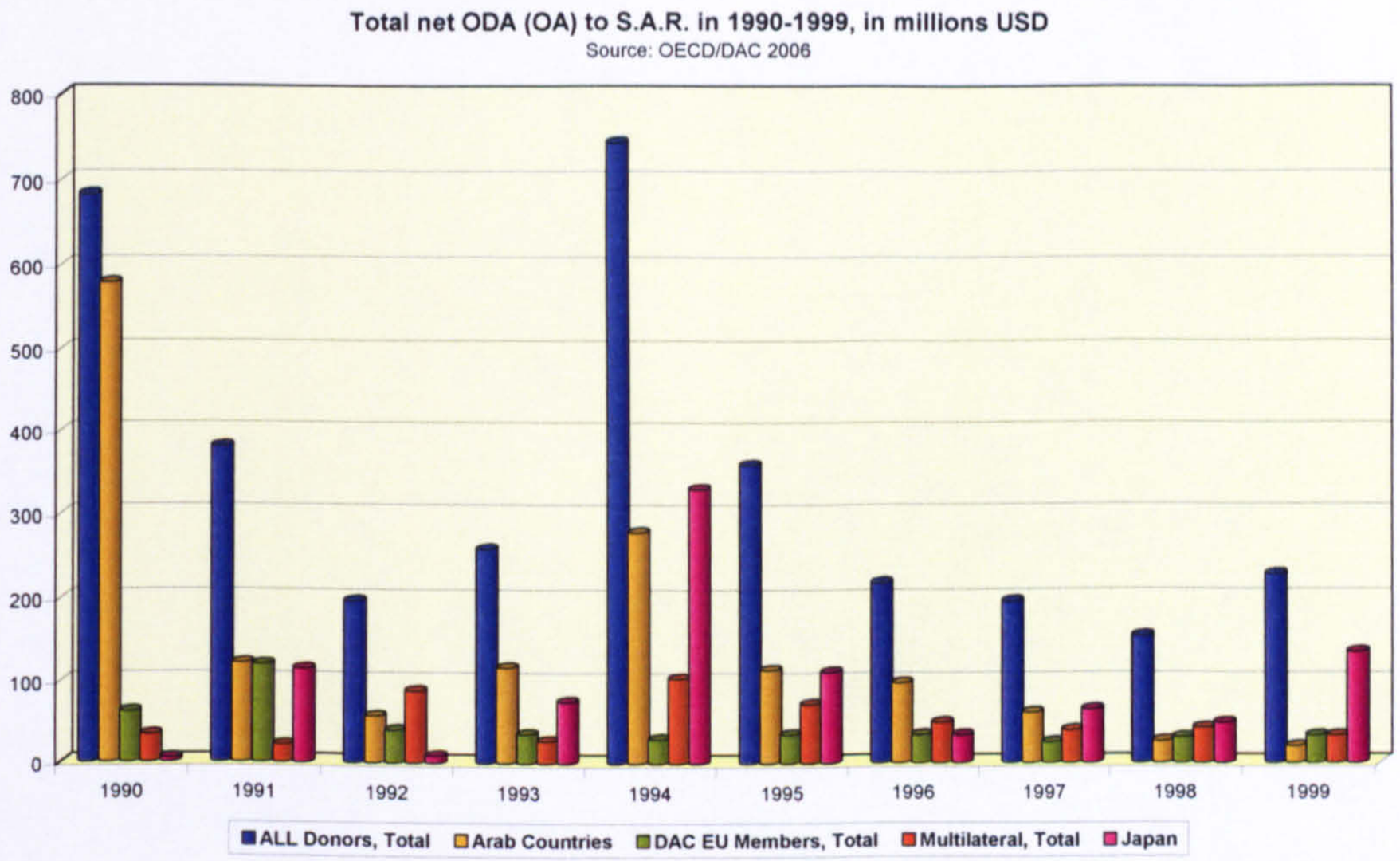
External fiscal environment in context of regional peace-making

The most significant change related to the external fiscal environment was the decline of aid. Generally, the average level of aid fell by half from the Cold War period of 1970-1989.[333] Not only did aid diminish in the 1990s, but it also became tied to peace-making as opposed to the war preparation of the previous Cold War era. Aid was given to side with the moderate Arab governments in regional affairs. The aid to Syria peaked in 1990-1991 during the Gulf war and the Madrid peace conference. Another peak in aid to Syria was in 1994, during the era of negotiations between Israel and the PLO, when the prospect of peace with Israel and Arab governments seemed possible. Much of this aid came again from the Arab governments, but most came from Japan, a new source of aid in the region. Japan became a large contributor of aid also in other years to Syria. Notable was also that the Arab aid decreased towards the end of the 1990s. EU aid stayed small, although economic relations with Europe became more important. [334] The peaks did not, however, reach the levels of the intense war preparation era of 1974-1986. Then the aid peaked at $1800 million, whereas the peaks in the 1990s reached only up to around $700 million. Otherwise, aid remained around the level of $200 million, compared to around $600 million from the end of the 1970s to the end of the 1980s.

[333] The average annual ODA for years 1990-1999 was 342.42 million US dollars and for the years 1970-1989, 672.77 million dollars. Organization for Economic Cooperation and Development, Development Assistance Committee. International Development Statistics (2006).

[334] EU became the main trade partner and donor of economic aid already in the early 1990s. Hinnebusch, *Syria. Revolution from Above*, p. 161.

Table 26:



The losses from aid revenues were substituted by a significant increase in fuel export revenues. Syrian crude oil and natural gas production and export revenues from fuel (crude oil exports is used here as another indicator) increased significantly from 1989 as the following tables show. The crude oil and NGL production more than tripled between the end of the 1980s and the mid-1990s.

Table 27:

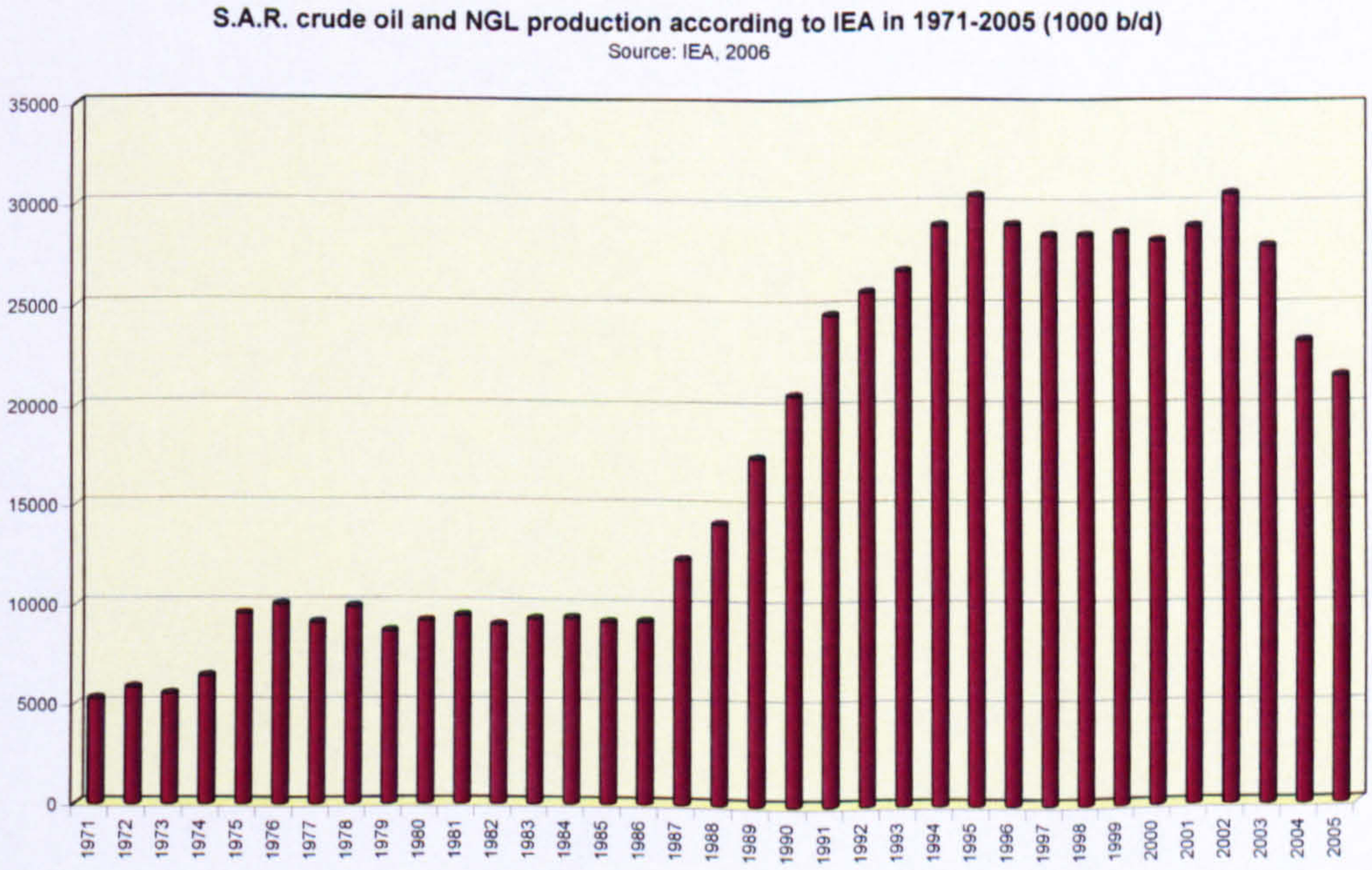
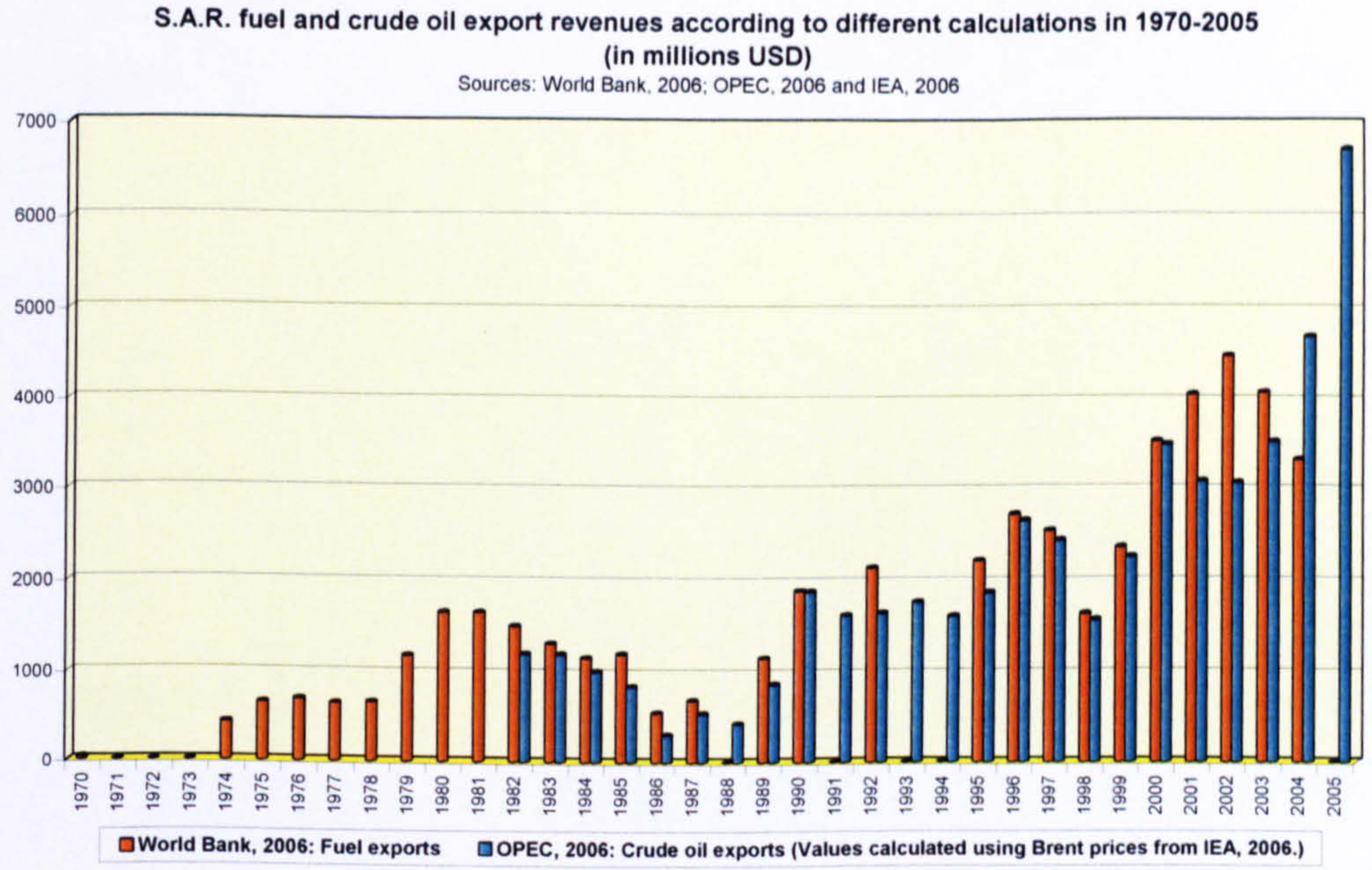


Table 28:[335]

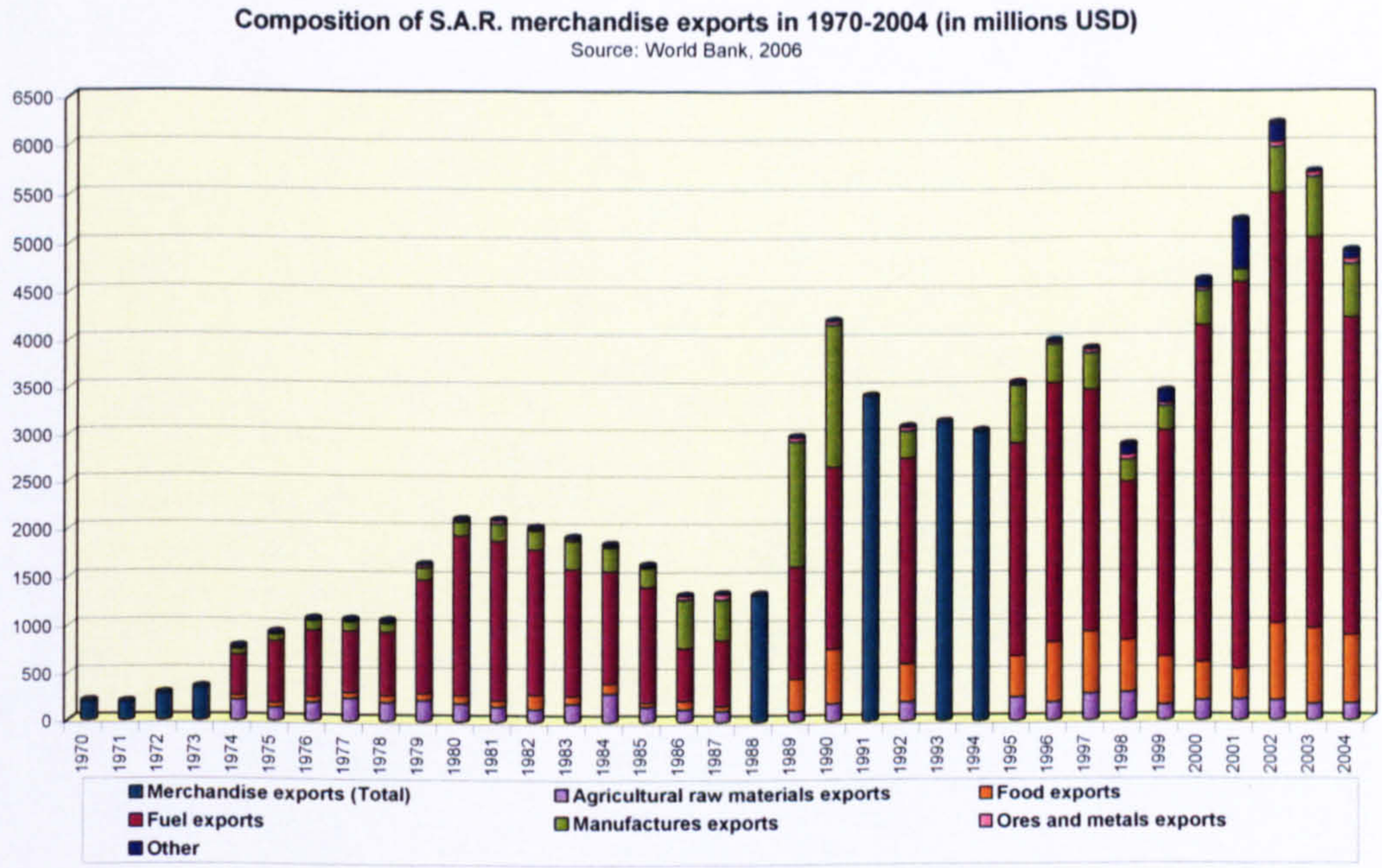


The higher production meant higher export levels and revenue. The crude oil export revenues increased from an annual average of $807.4 million in the 1980-1989 period, to an annual average of $1942.5 million in 1990-1999, marking an increase of 241% in the annual average.[336] The fuel exports were significant compared to overall exports, varying between 40% and 80% from the middle of the 1970s to the end of the 1990s.

[335] World Bank values are not available for several years. OPEC values are available for 1982-2005.

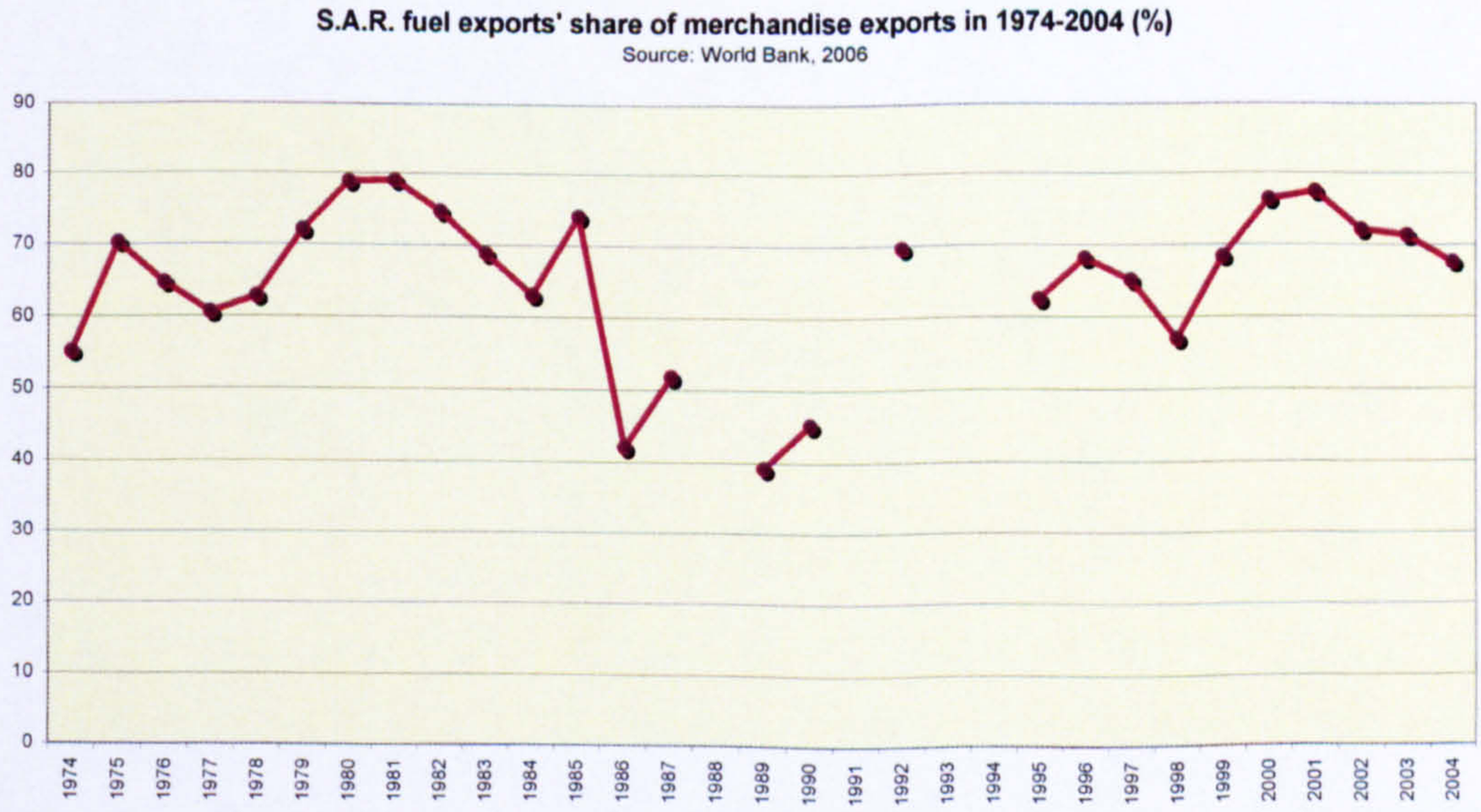
[336] Note that the lack of figures for several years may cause inaccuracy. The annual average figures are therefore only tentative.

Table 29:[337]



Although the increase in oil production was significant for Syria's economy, Syria did not gain in significance as an oil producer on a global scale. Therefore, there was no effect on the strategic importance of the country to the external powers, for example. In comparison, Syrian fuel exports were only around 1% of world total exports and between 2-2.5% of Middle Eastern exports, as the following tables show.

Table 30:[338]



[337] Only total export values are available for 1970-1973, 1988, 1991 and 1993-1994.
[338] Values not available for several years.

Table 31:

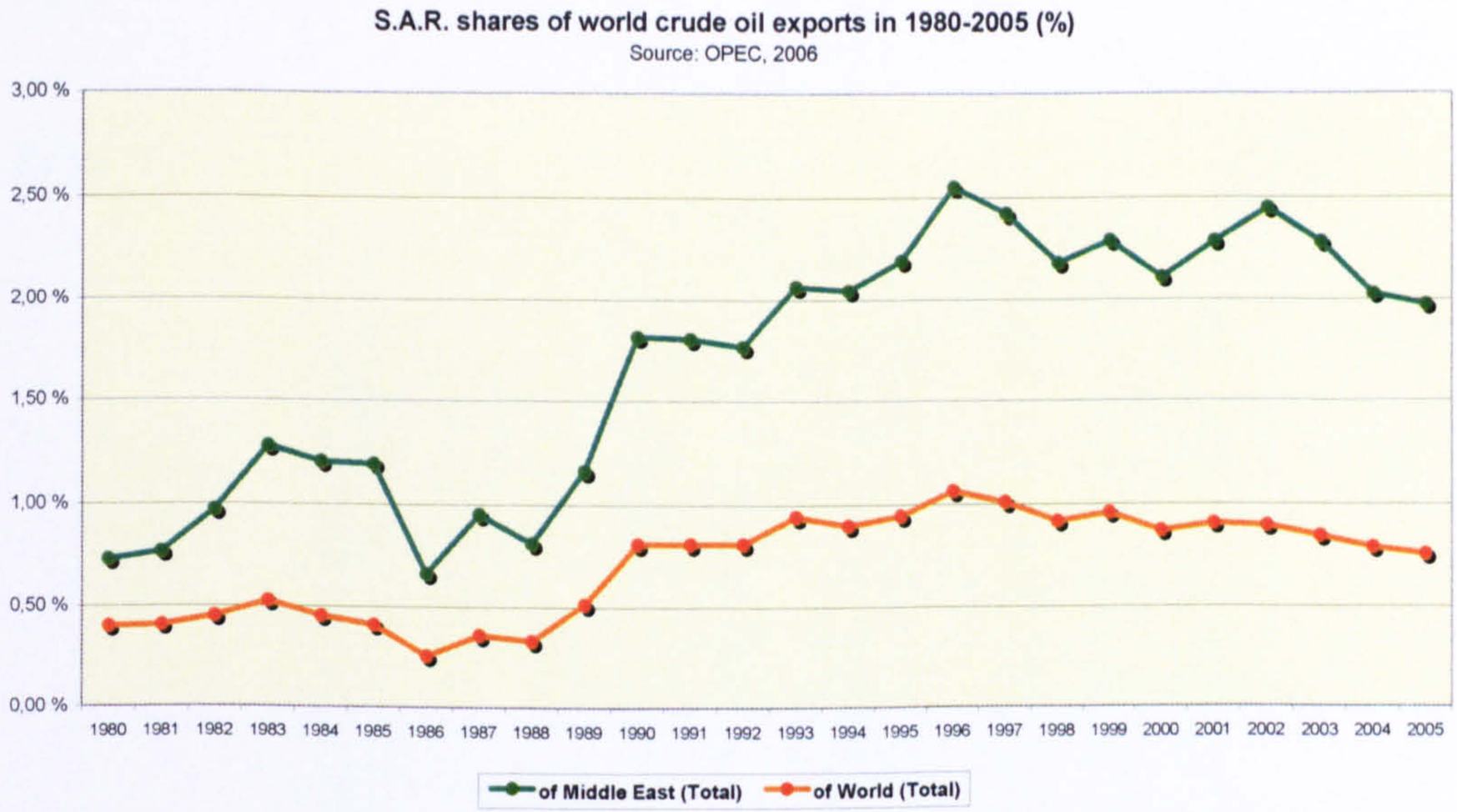


Table 32:

Compared to the Cold War era, Russian trade diminished to almost zero. Syria continued to import a little less than during the Cold War from Eastern Europe, although trade relations intensified significantly with Europe overall. Compared to the Cold War figures on imports and exports, however, the intensification does not appear to be significant, but the EU remained clearly the main trading partner to Syria. Trade with the Gulf

states and Turkey intensified, while Japan became a new trade partner in the import sector. Imports from the US also increased somewhat. The volume of trade rose clearly.

Table 33:

Imports from selected countries to S.A.R. in 1990-1999 (%)
Source: IMF Direction of Trade Statistics, 2006

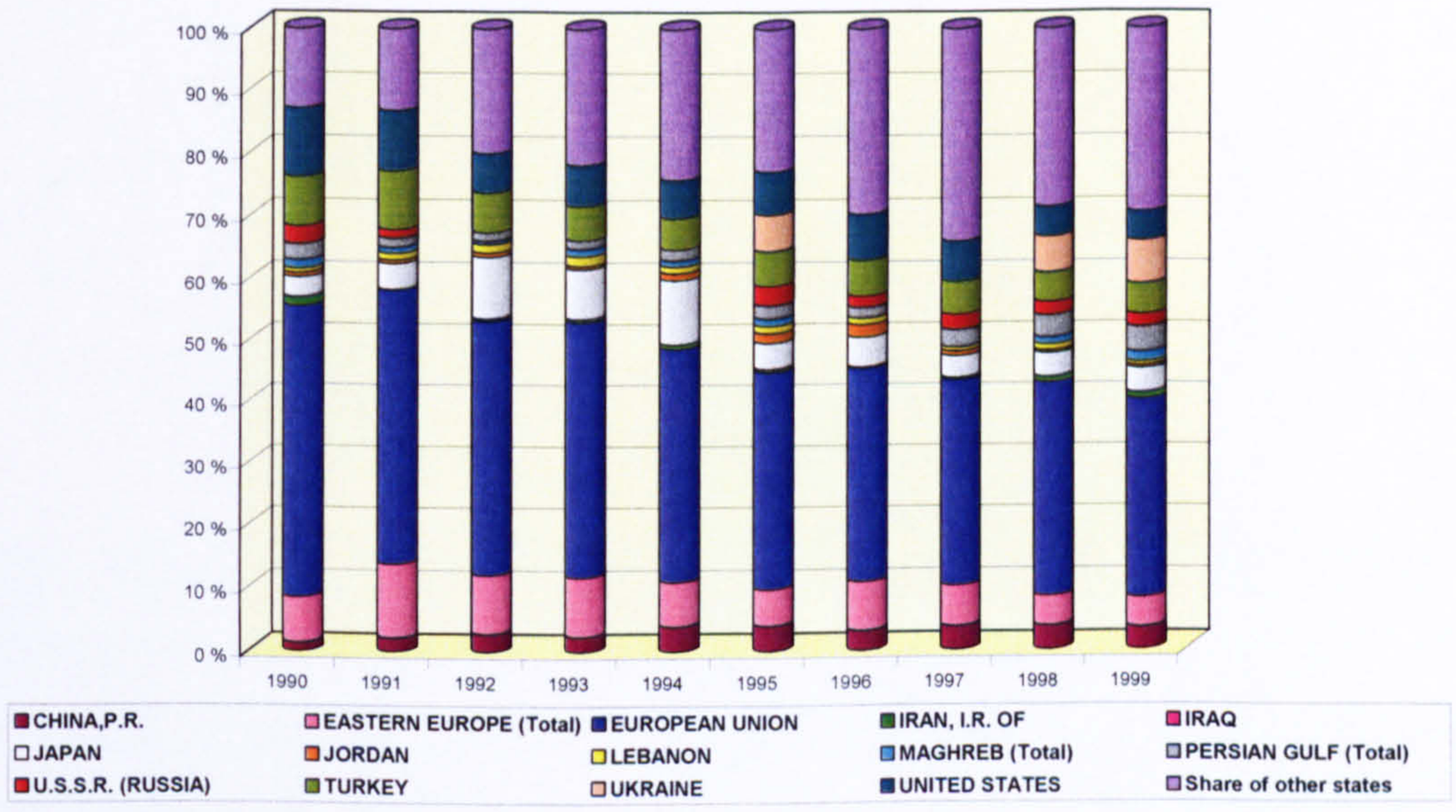


Table 34:

Exports from S.A.R to selected countries in 1990-1999 (%)
Source: IMF Direction of Trade Statistics, 2006

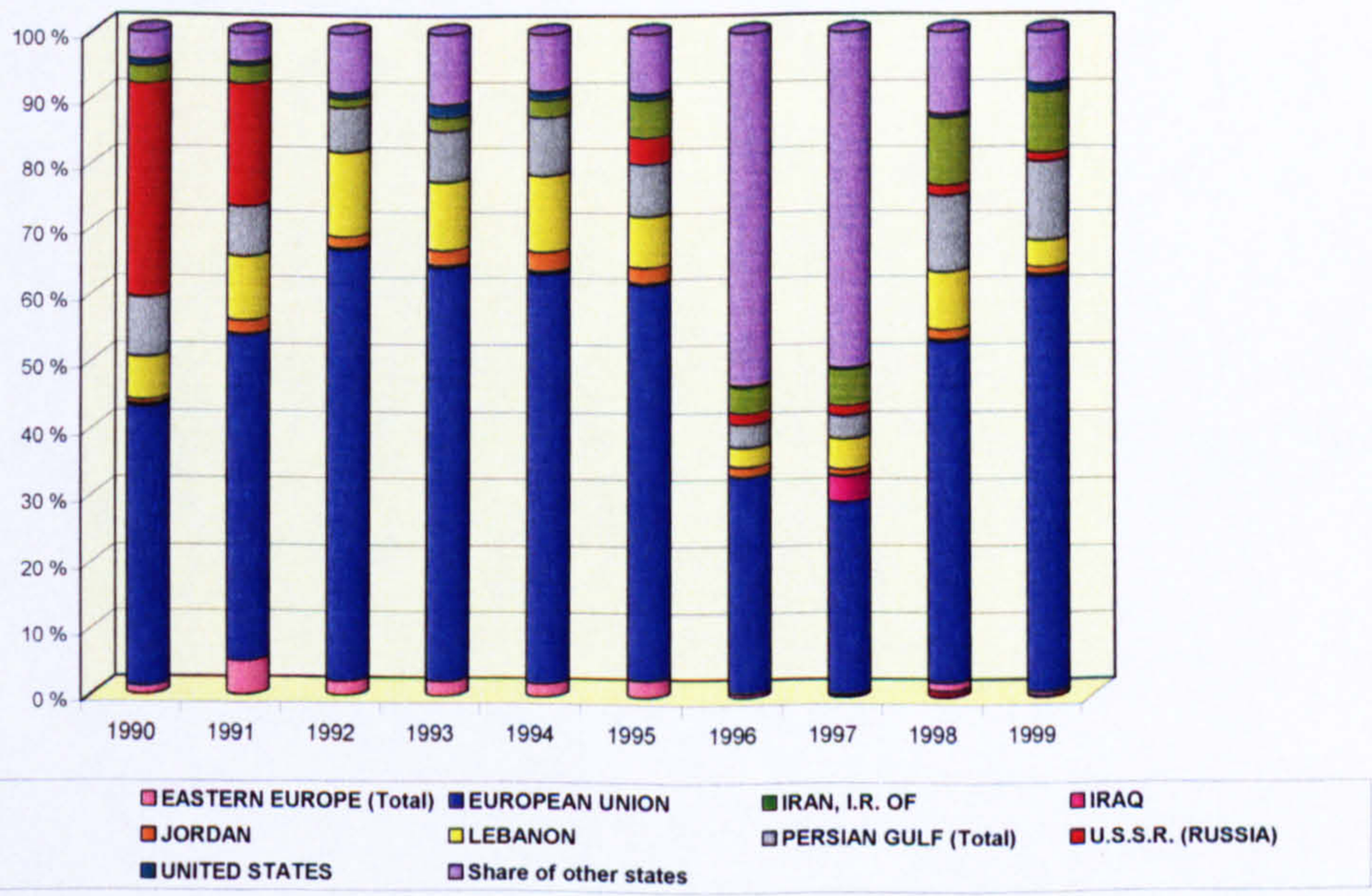
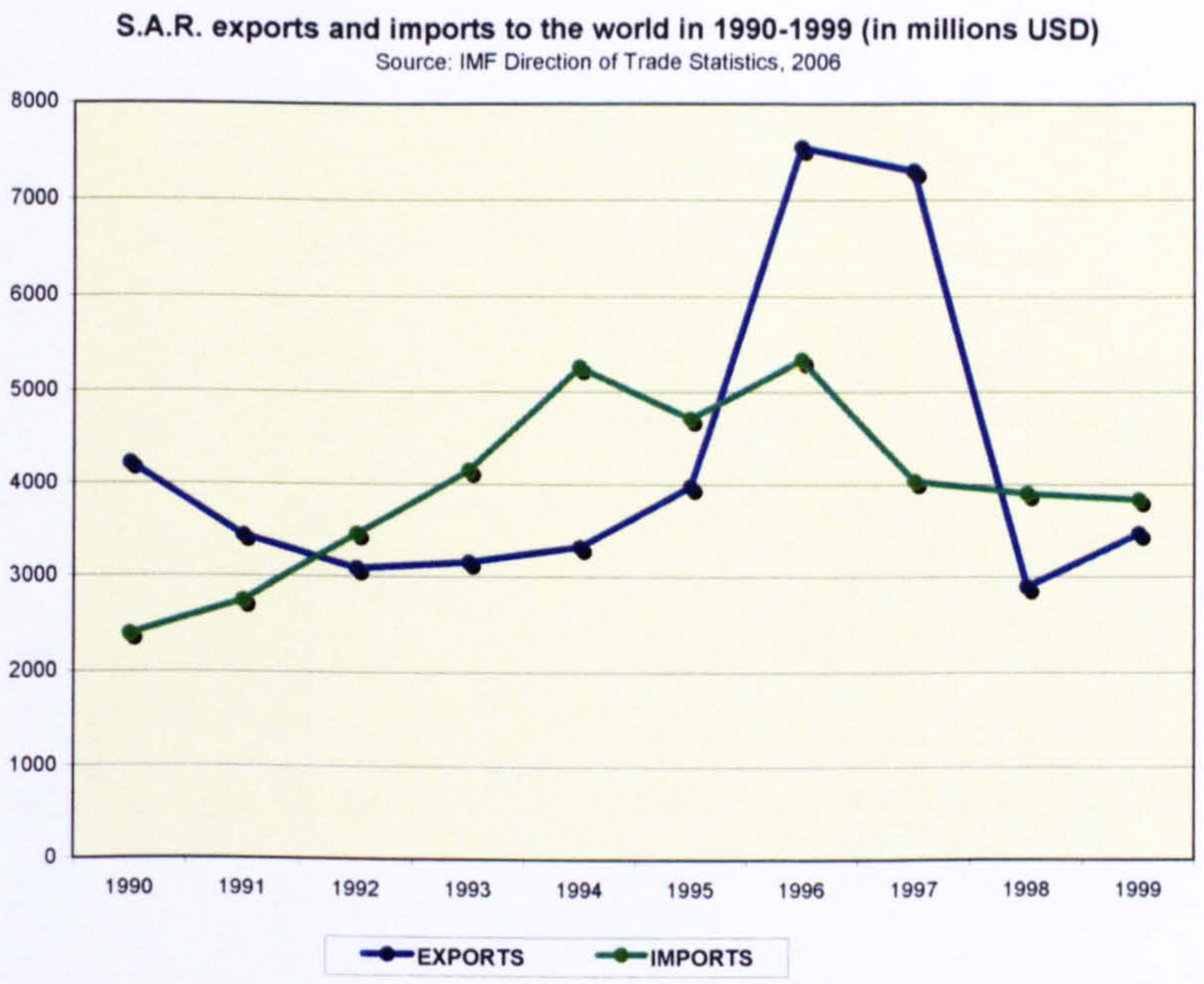


Table 35:



Foreign direct investment (FDI) could also be considered as important gains from the external environment. Generally, FDI to the Arab countries outside of the Gulf region was small in worldwide comparison. Between 1987 and 1992, Arab countries received 1.3% of all world FDI flows, and the situation did not improve greatly in the 1990s. From 1993 to 1998, Arab countries received 1.8% of world FDI flows.[339] By regional comparison, Syria was among the lower recipients of FDI flows, while Saudi Arabia and Egypt received the most investments. Morocco and Tunisia received the next largest shares of FDI, with for example FDI flows of around $5 billion in 1998. Algeria, Oman, UAE and Yemen received around $2 billion, followed by Syria and Jordan with a little above $1 billion in FDI flows, leaving Qatar, Bahrain, Kuwait and Lebanon as the smallest recipients.[340] Annually, Syria received between $62 million and $263 million in foreign investments. Generally, annual investments remained below $100 million.[341]

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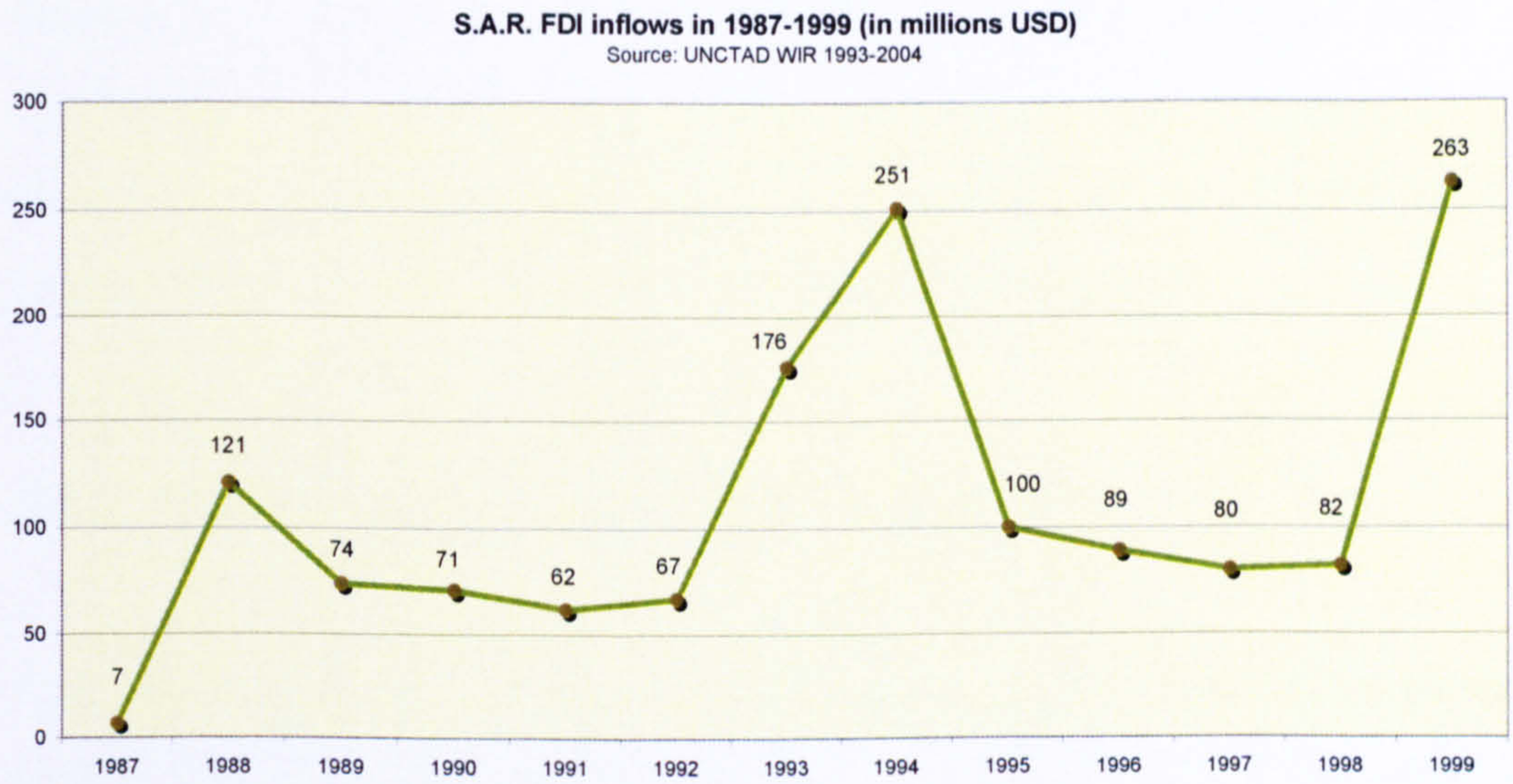
[339] Sadik, Ali T. and Bolbol, Ali A. *Mobilizing International Capital for Arab Economic Development: With Special Reference to the Role of FDI.* Abu Dhabi: Economic Policy Institute, Arab Monetary Fund, 2000, p. 71. Figures are based on United National Conference on Trade and Development. World Investment Report 1999.
[340] Sadik and Bolbol, *Mobilizing International Capital for Arab Economic Development: With Special Reference to the Role of FDI*, p. 73.
[341] United National Conference on Trade and Development. World Investment Report 1993-2004.

Table 36:



Conclusions

The external security environment changed fundamentally for Syria. The prompting factors behind the change in Syria's position vis-à-vis its external environment are the loss of a superpower ally after the Cold War, the US hegemony, the diminished importance of Arab-Israeli conflict and pan-Arab credentials. Syria consequently lost some of its regional prestige. However, Hinnebusch and Ehteshami note that in 1996 that Syria occupied a specific "middle power" position in the Middle East, holding significant regional importance.[342] Syria was able to adapt to the changed environment and the losses from the external security sphere were not as dramatic as one could have imagined, although Syria remained without an extra-regional superpower patron and isolated from regional peace-making. The losses include the deterioration of a degree of Syrian influence in regional affairs and a major deterioration in its military power and importance. In spite of this, Syria was able, rather successfully, to adapt to the post-Cold War environment. The external security environment after the Cold War posed some challenge to the legitimacy of the Syrian regime domestically, due to the fall of socialism, lower need for war preparation and the launch of the

[342] Ehteshami and Hinnebusch, *Syria and Iran. Middle Powers in a Penetrated Regional System,* pp. 6-7.

peace process. The external fiscal environment challenged the fiscal capabilities of the state after the loss of most of its foreign aid. This was, however, substituted by new gains from the fuel export income that can be considered the major reason for which the effects of the enormous external changes did not touch the domestic political system or its authoritarian nature. This will be demonstrated in the following chapters.

4.2 External resource extraction and state power

This chapter aims to evaluate how external resource extraction affected state power between 1990 and 1999. I will consider how the rentier nature of Syria changed after the Cold War, when the revenues from the superpower patron and Arab countries decreased drastically. The main sources of rents after the Cold War, the amount of rents of the total government revenue and the importance of specific rents to the fiscal capabilities of the state will also be identified. I will accord particular consideration to the ways in which the fall of aid revenues and increase of fuel export income affect the fiscal capabilities, placing it in the context of the economic strategies of the state to see how the fiscal capabilities affected the regime's power base and the strategies to pursue co-option through economic liberalization.

Level of rentierism

The following tables provide data on Syrian external revenues from 1990 to 1999. The first table includes aid as a percentage of GDP, the second fuel exports as a percentage of GDP, and the third worker remittances as a percentage of GDP.[343]

[343] Due to different editions of World Bank World Development Indicators used as sources for workers' remittance values, there are differences between the percentages above (Edition: April 2006) and the percentages used in the study (Edition: September 2005).

Table 37:

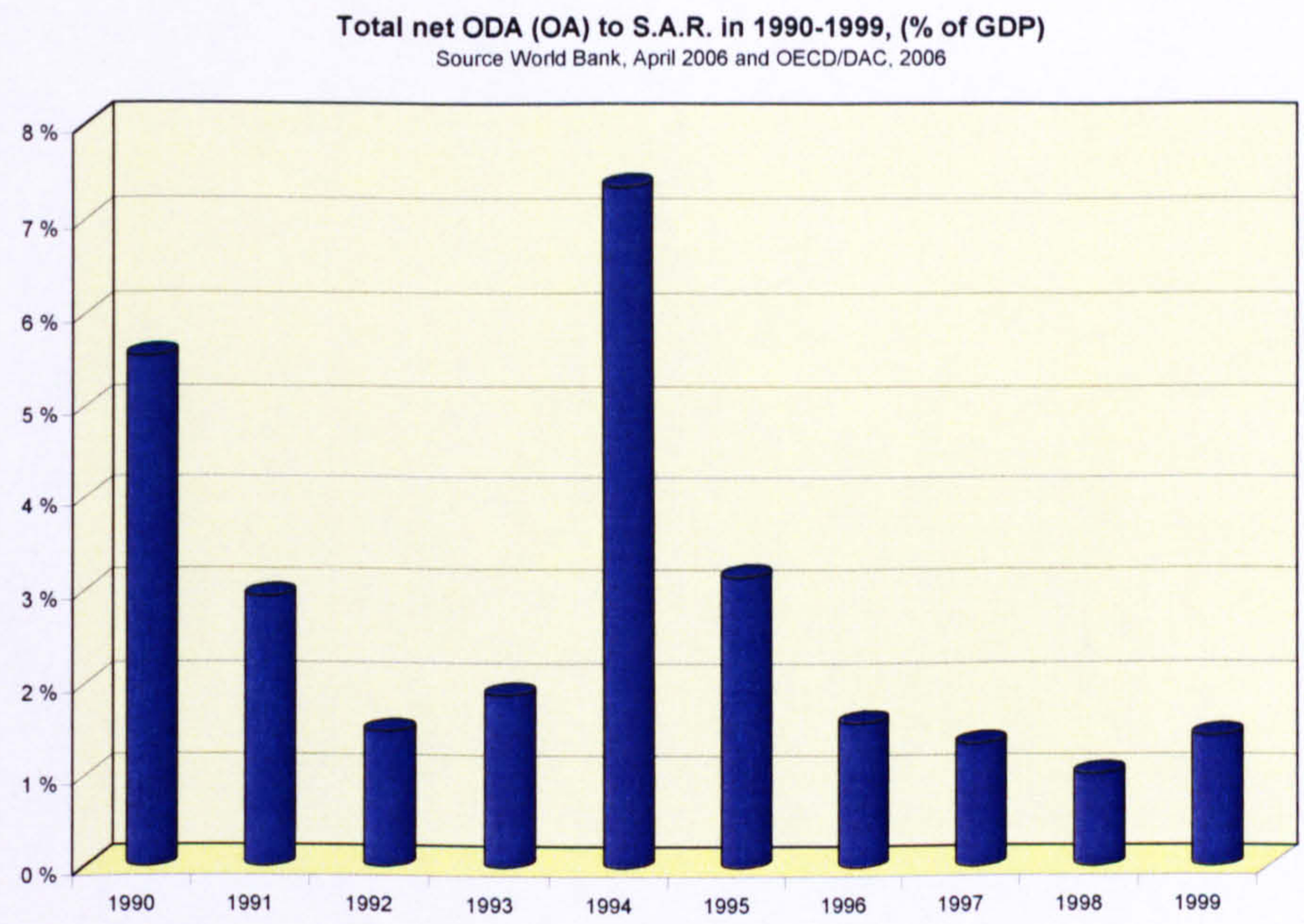
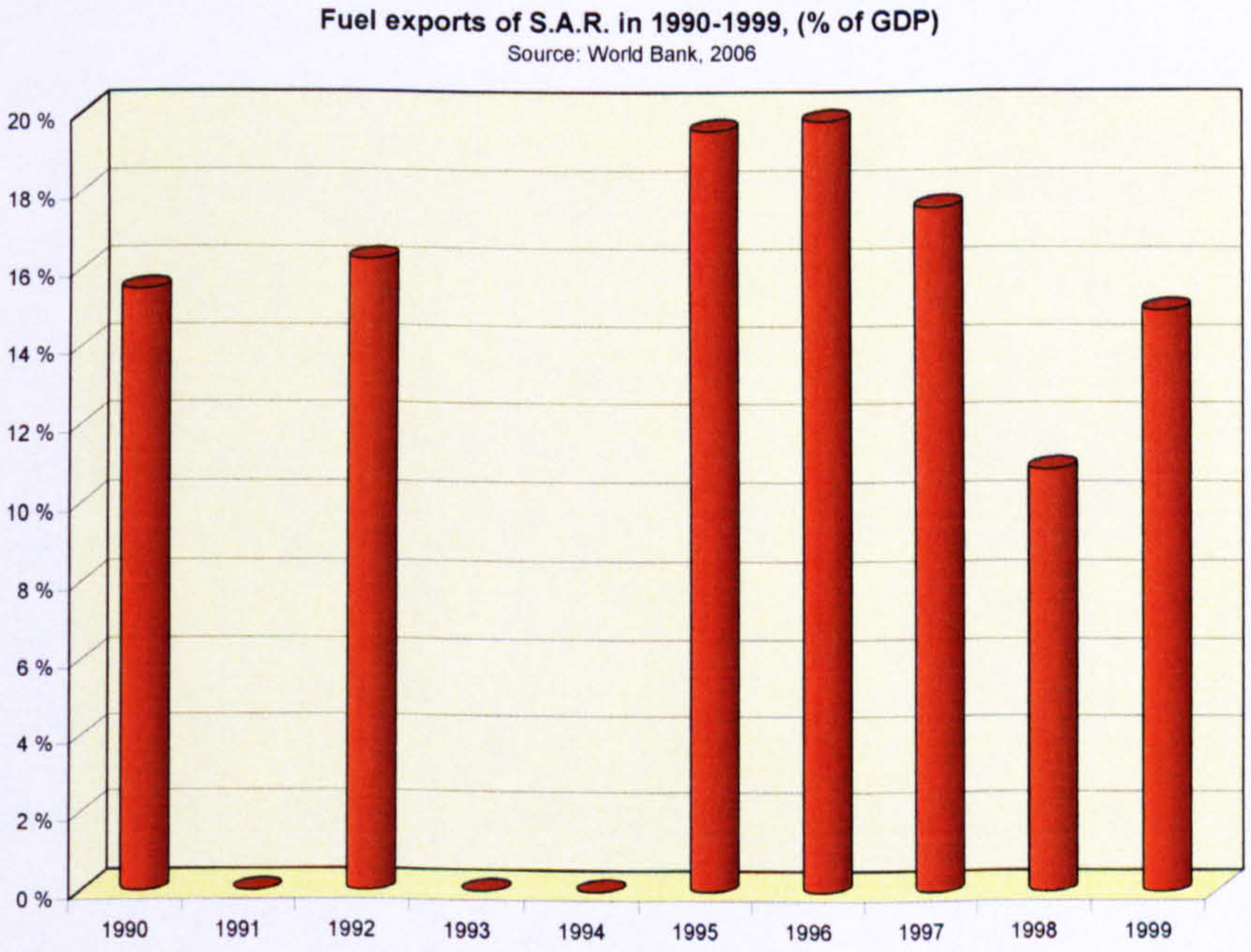
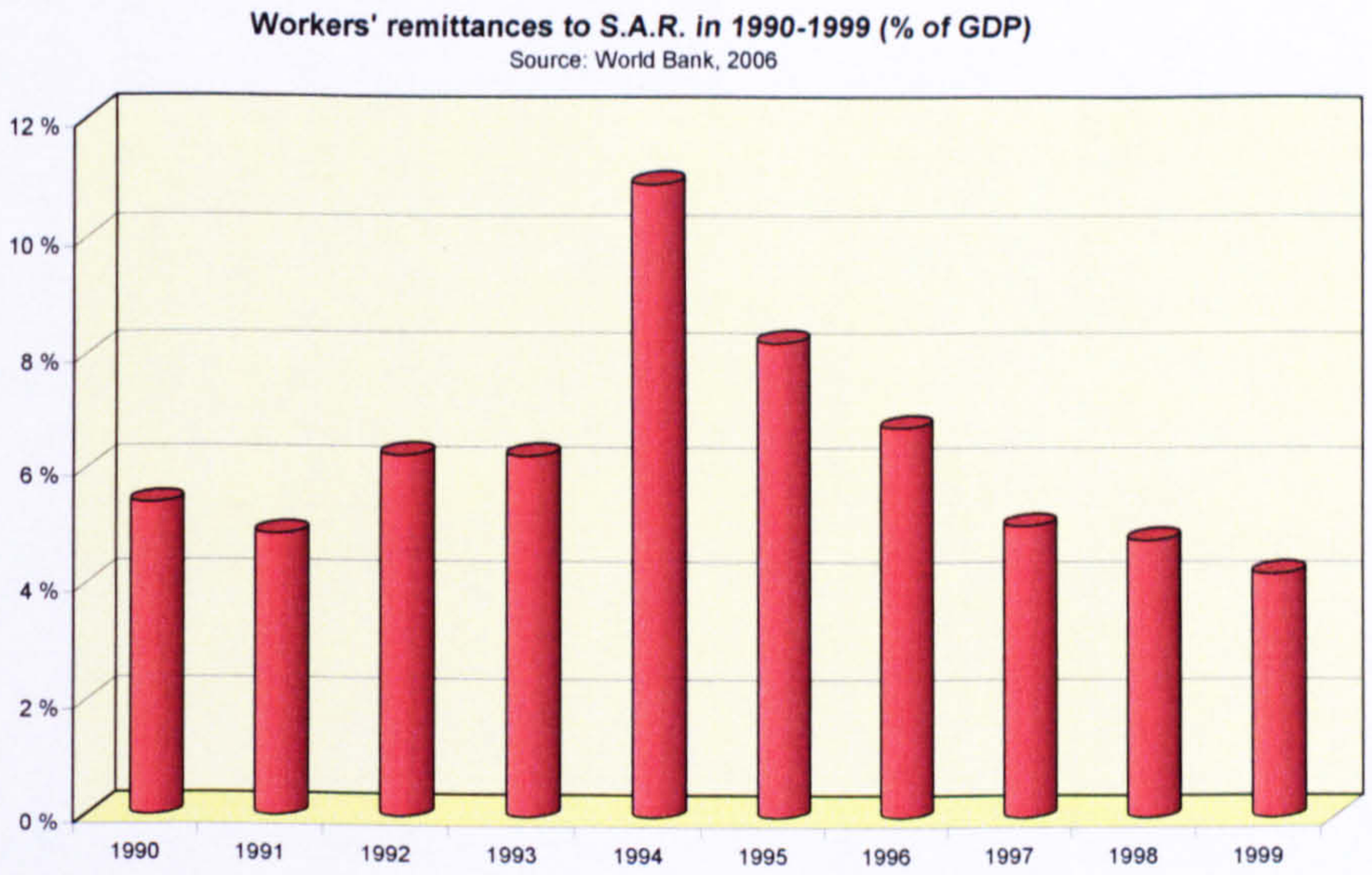


Table 38:[344]



[344] Values are not available for 1991 and 1993-94.

Table 39:



The increase in oil revenues in the 1990s was significant in relation to other rents.[345] After the Cold War, fuel export revenues had clearly taken the place of aid revenues as the major source of external income and even substituted the decline of aid revenues. The annual average income from fuel exports was 16.3% of GDP, ranging between 10.9% in 1998 and 19.8% in 1996.[346] The increase in annual averages in fuel export revenues compared to the Cold War era was close to one-third. The aid revenues declined significantly, the annual average being only 2.8% of GDP ranging between the lowest level at 1.0% of GDP in 1998 and the highest at 7.4% in 1994. The workers' remittances were an annual average of 6.3% of GDP, ranging between 4.2 % of GDP and 10.9% of GDP.

The significantly higher fuel export revenues in the 1990s have been noted in previous research, but not well enough. The peak of aid related to the Gulf war in 1990 in particular is often emphasized, but according to these figures, the aid was less than a half of the fuel export revenue the same year.[347] For example, Perthes evaluates that the Arab aid was still significant

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[345] This is also noted by Perthes. According to his estimation, in the 1990s oil was the largest single source of government revenue. Perthes, *The Political Economy of Syria under Asad*, p. 64.

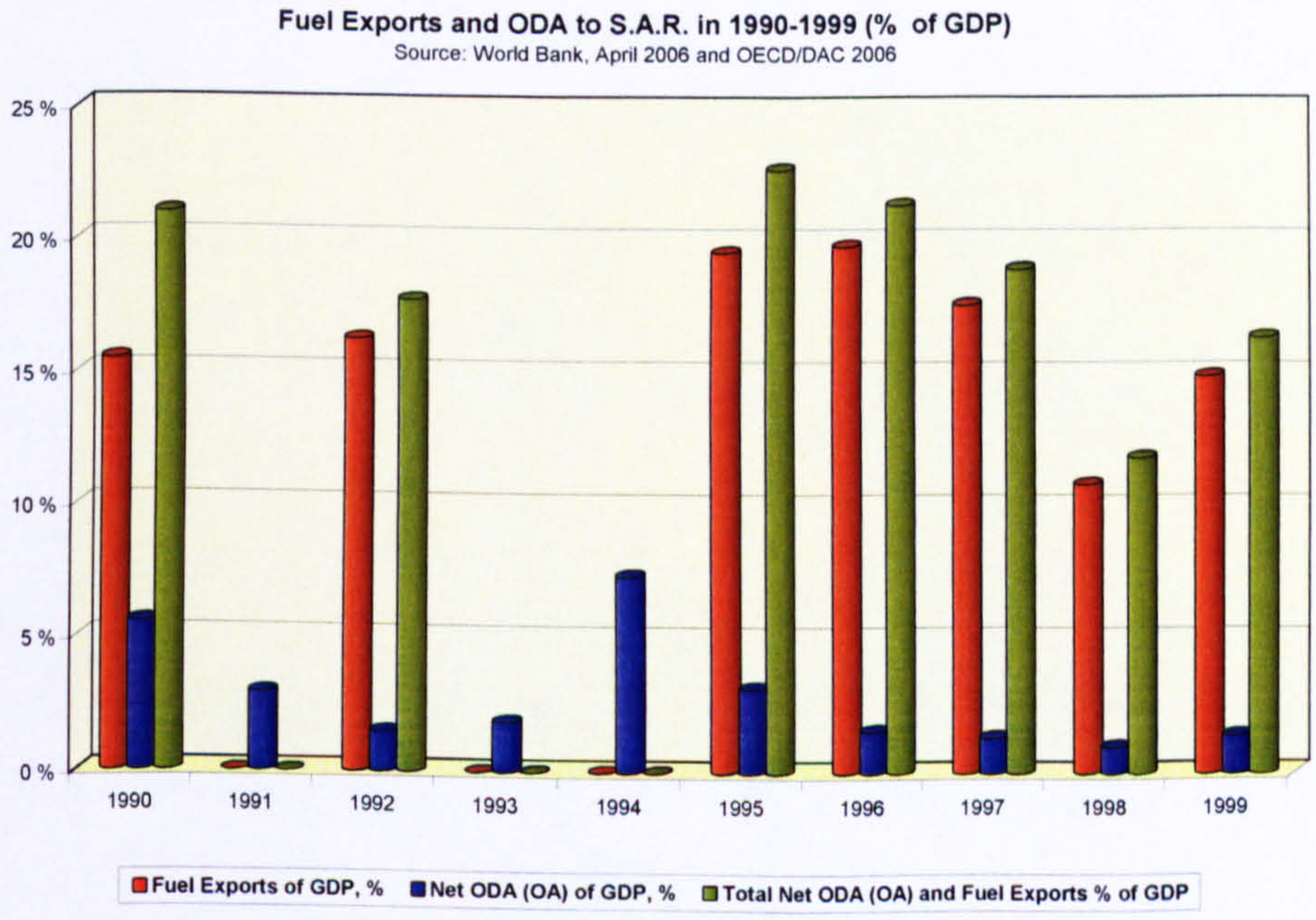
[346] The figures for the years 1991, 1993 and 1994 are not available, however.

[347] Hinnebusch notes new rents from oil production (500 million dollars in the early 1990s) as one major source of revenue. The aid received from participation in the Gulf war was 2

in the 1990s, comprising 25% of all Gulf aid. According to him, although the aid levels were decreasing, they were nonetheless substantial.[348] However, Syria received significantly less aid than Egypt and Jordan, the annual average of Syrian aid being 2.8%, Egyptian 5.8% and Jordanian 9.6%. It is also of note that according to these figures, the worker remittances were more than double the aid that Syria received in the 1990s.

The following table shows the fuel export revenue and aid income combined as a percentage of GDP.

Table 40:[349]



Surprisingly and significantly, the overall external revenues contributing to the state were almost at around the same level in the 1990s as they were in the era of high aid revenue levels at the end of the 1970s and beginning of the 1980s during the Cold War. The annual average of fuel export and aid income was 18.6% of GDP, varying between a minimum of 11.9% and maximum of 22.7%. The external revenues contributing to the state were over 20% for only a few years, but they were always over 15%, with the

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billion dollars. Hinnebusch, Raymond. "The Political Economy of Economic Liberalization in Syria", p. 313.

[348] Perthes, *The Political Economy of Syria under Asad*, p. 65.

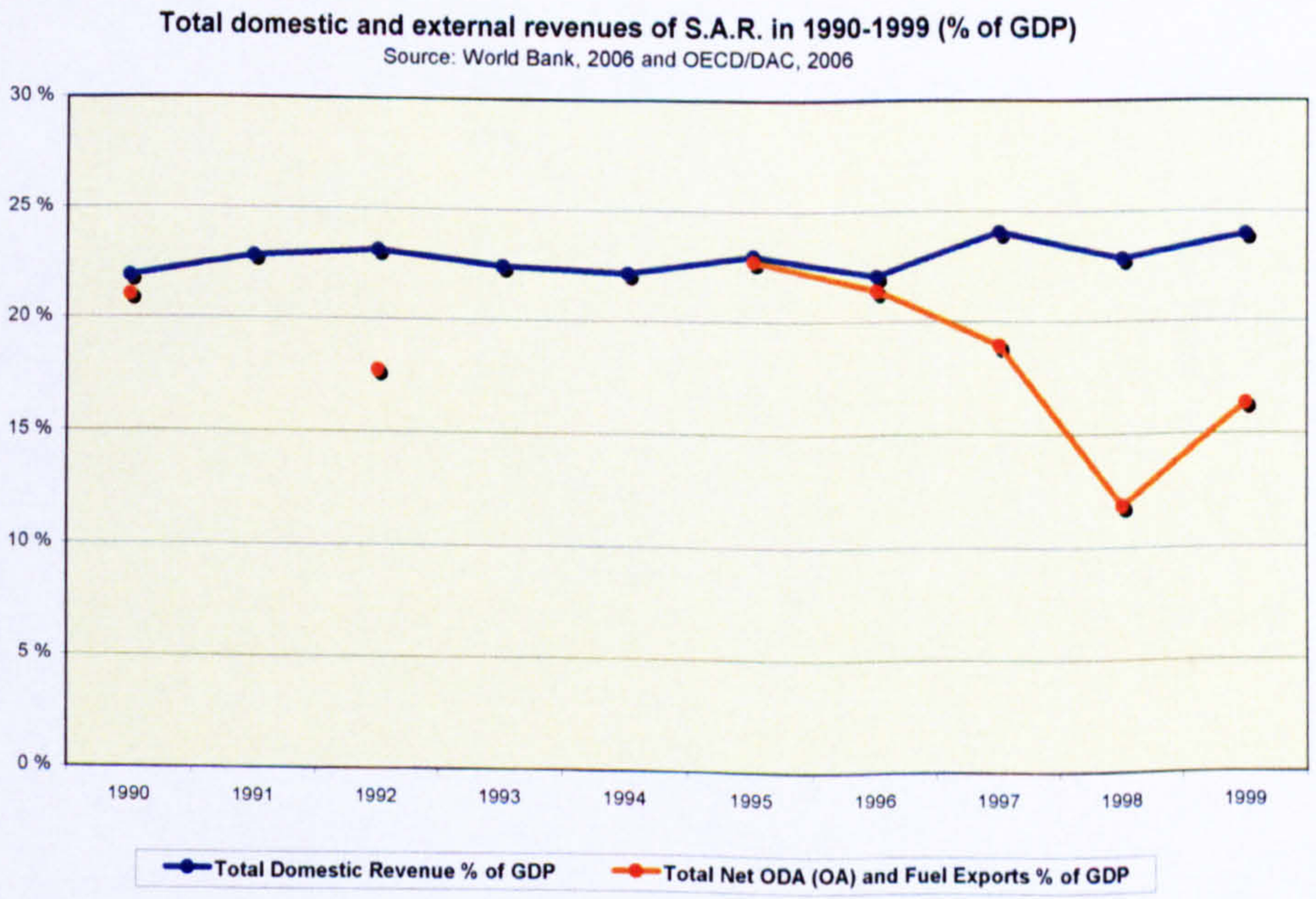
[349] Fuel export values are not available for 1991 and 1993-94.

exception of 11.2% of GDP in 1998. During the high aid levels of the Cold War, the average annual external revenue was 20% and 11.4% during the lower levels towards the end of the 1980s.

Again, as during the Cold War, these figures do not demonstrate that Syria would have clearly qualified as a semi-rentier economy as the external revenues did not rise over 20% on average, although from the end of the Cold War they seem to have reached very close to it, certainly closer than during the Cold War. Yet, as the aid levels are suspected to be higher than reported to the Organization for Economic Cooperation and Development, Syria can be considered a semi-rentier state. Syrian external rents consisted mostly of fuel export revenues in the 1990s, and based on this observation, Syria can be considered a semi-rentier state economy during this era.

The following table analyses the amount of external revenues compared to domestic revenues and gives an indication of the fiscal autonomy of the state.

Table 41:[350]



[350] Values are not available for several years.

After the Cold War in the 1990s, the share of external revenues of the overall total seems to have increased. On average, the annual external revenues were 18.6% of GDP as the domestic revenues were an annual average of 22.8% and the overall revenues were 41.5% of GDP. The external revenues constituted between 34.2 % and 49.7% of GDP of total revenues, on average 44.3% of GDP of total revenues annually. This annual average is some 5% more than during the Cold War era. This finding is important considering the fiscal autonomy of the Syrian state since the end of the Cold War. According to these figures, the fiscal autonomy would have increased despite the sharp decline in aid. This analysis thus demonstrates that the oil revenues have maintained the external revenues at an exceptionally high level since the end of the 1980s and given the regime the means to maintain the balance of political power.

The shift from war preparation to peace negotiations altered the ability of the Syrian regime to use external extraction strategies. Unlike the war preparation of the earlier years, the peace negotiations did not bring aid to Syria.[351] The striking difference from the 1970s and 1980s to the 1990s was also the decline in state spending on militarization. Therefore, the external revenues contributed even more to the fiscal autonomy of the regime. A significant decrease in overall military expenditures followed in the 1990s after a small peak of 13.4% during the Gulf war 1990/1991. The slowdown appears to have been primarily due to the end of arms imports. From 1990, Syria has invested only a few per cent of its GDP in arms imports. Indeed, in the 1990s, Syrian military expenditures fell to a level somewhat typical to that of third world states. The difference to the Cold War era is highly significant, as the decline from an annual average of 25.9% to 8.4% marks a decline of 17.5% of GDP.

More specifically, the annual average military expenditure was only 36.8% of domestic revenues and 45.2% of external revenues. All in all, the military expenditures accounted for as little as 20.2% on average annually of total

[351] Hinnebusch, Raymond. "The Politics of Economic Liberalization. Comparing Egypt and Syria", p. 122.

revenues as a percentage of GDP during 1990-1999. There was, therefore, even less need to bargain with the domestic constituencies because of war preparation. The following tables present the figures of the military expenditure and arms imports as well as calculations of the relation between military spending and external revenues, domestic revenues and total revenues.

Table 42:

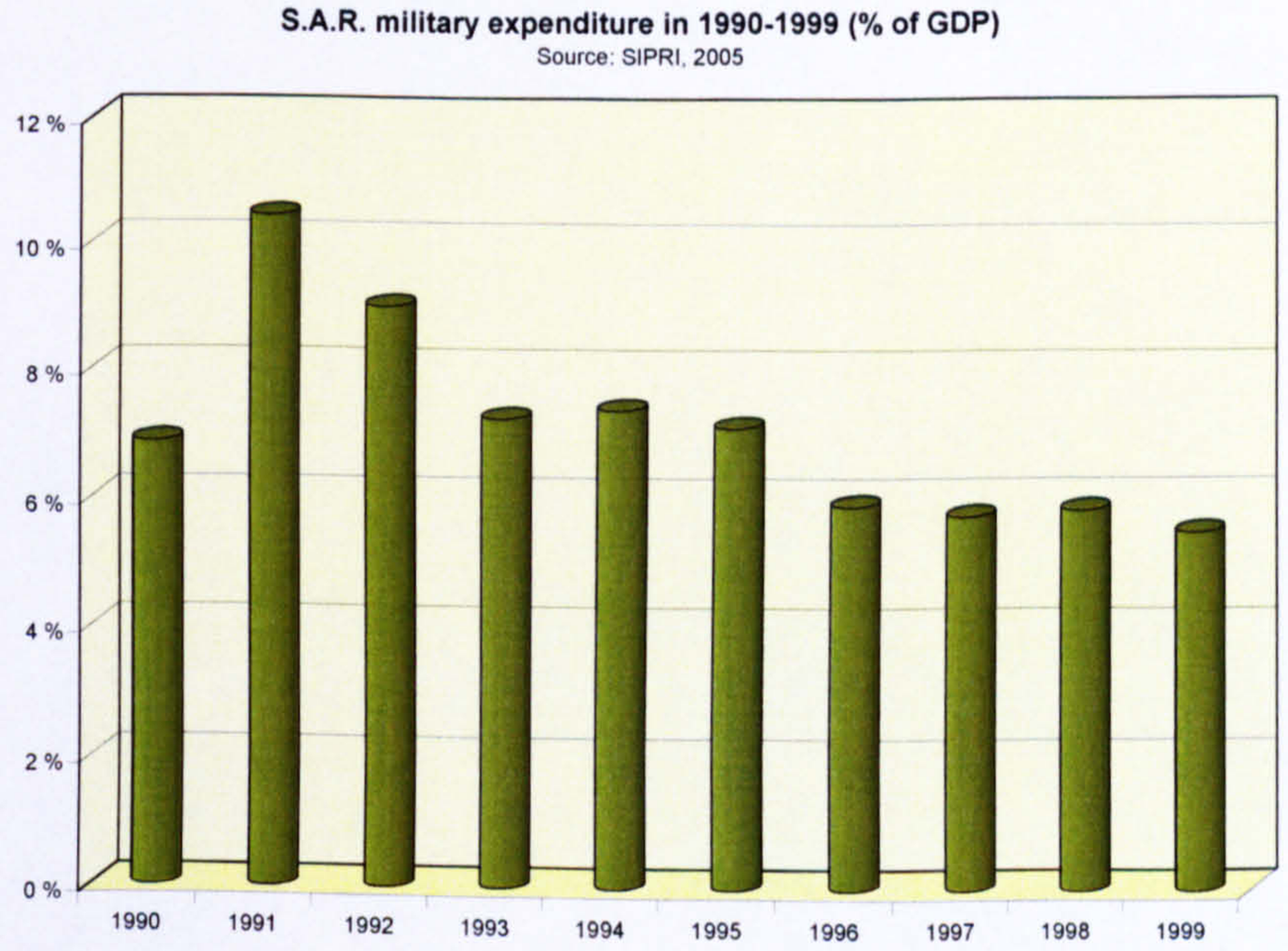


Table 43:

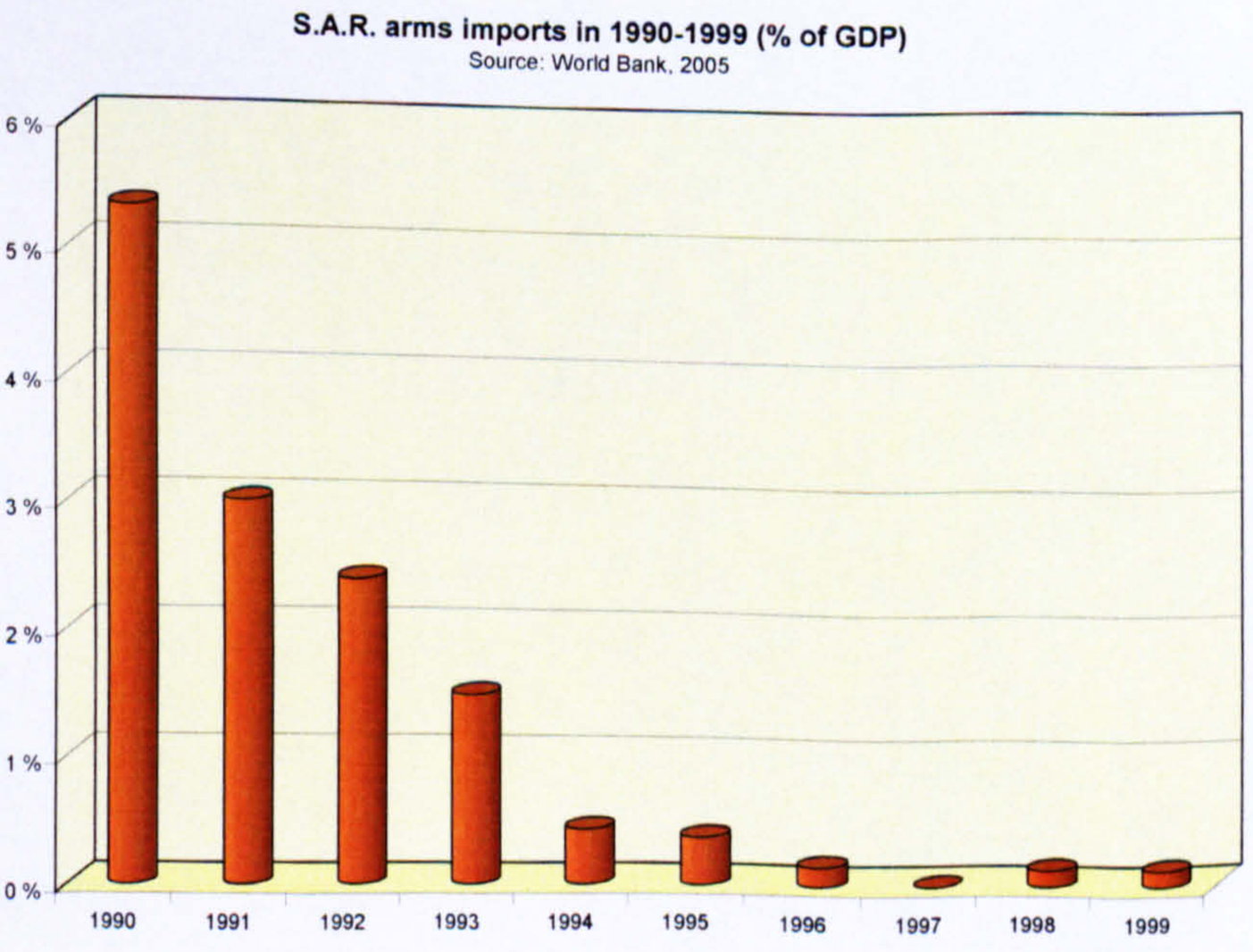


Table 44:

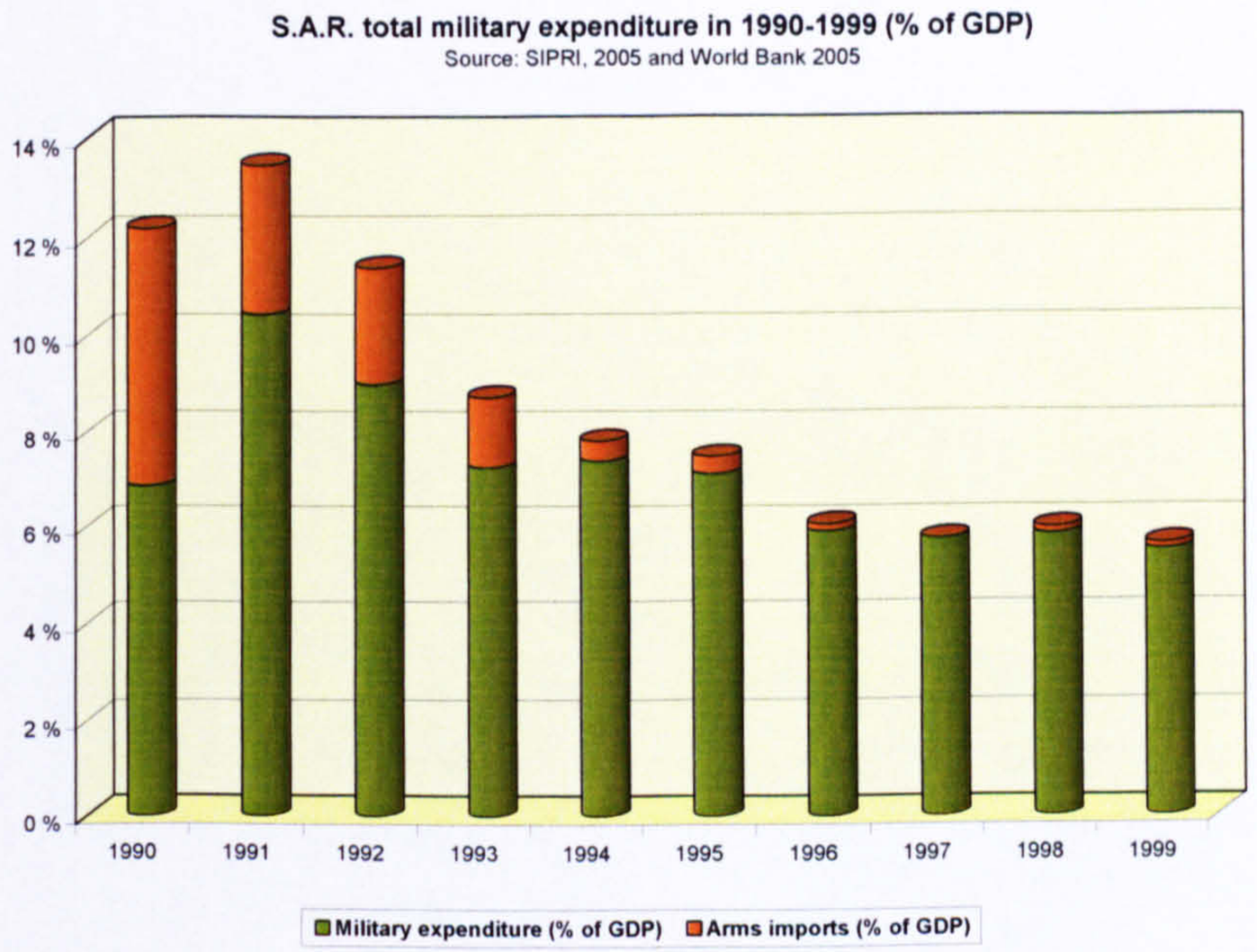


Table 45:

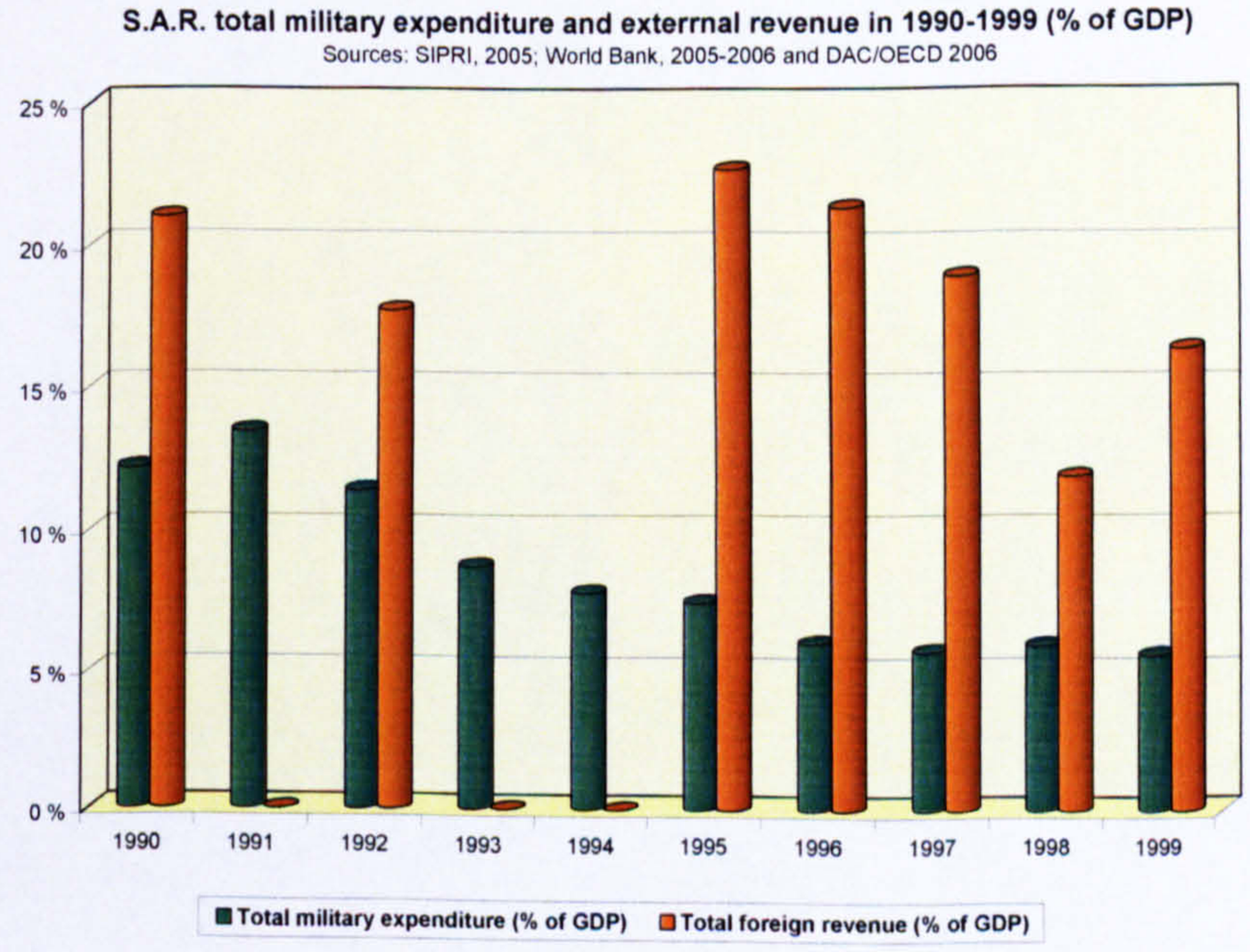


Table 46:

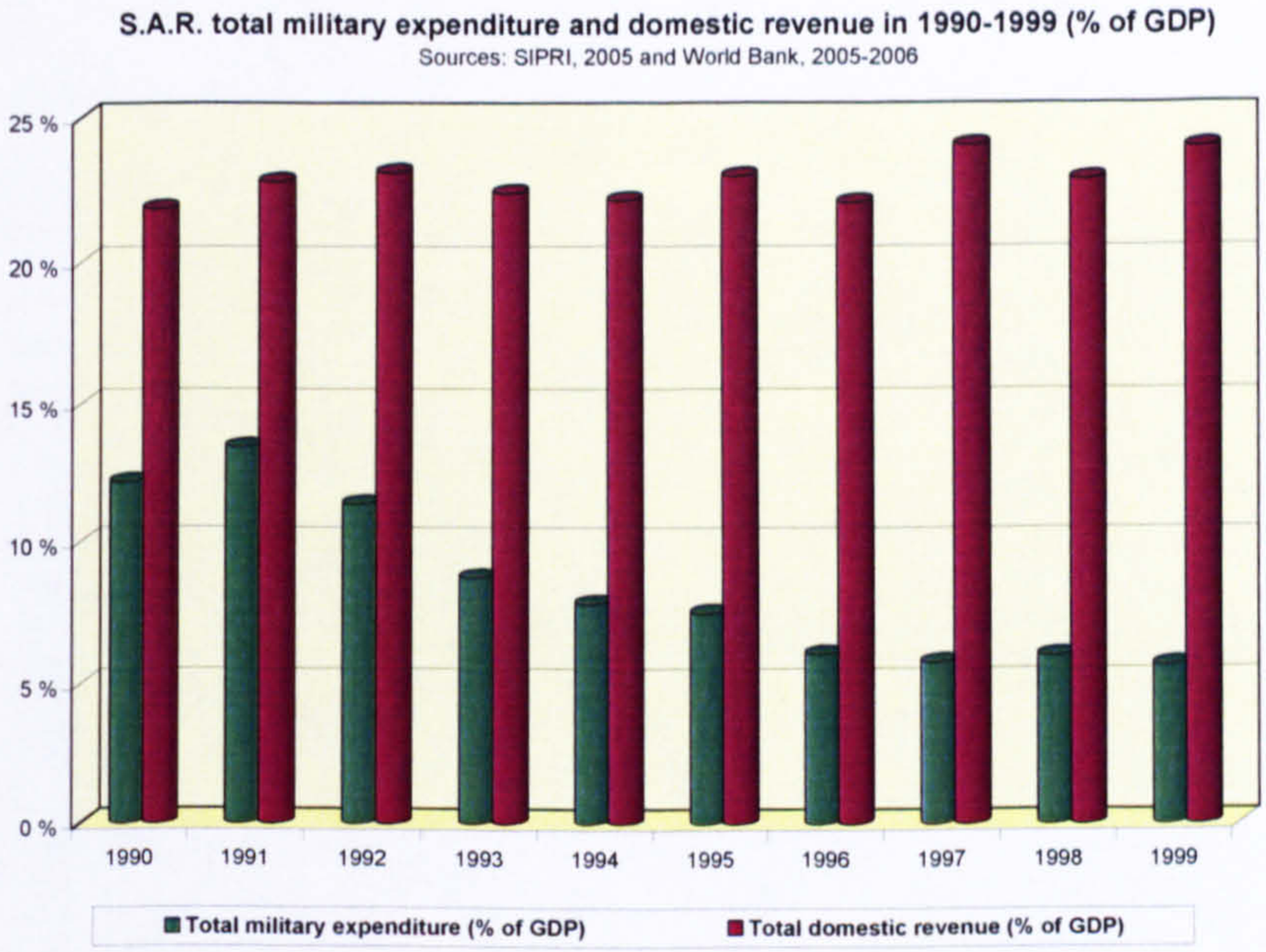
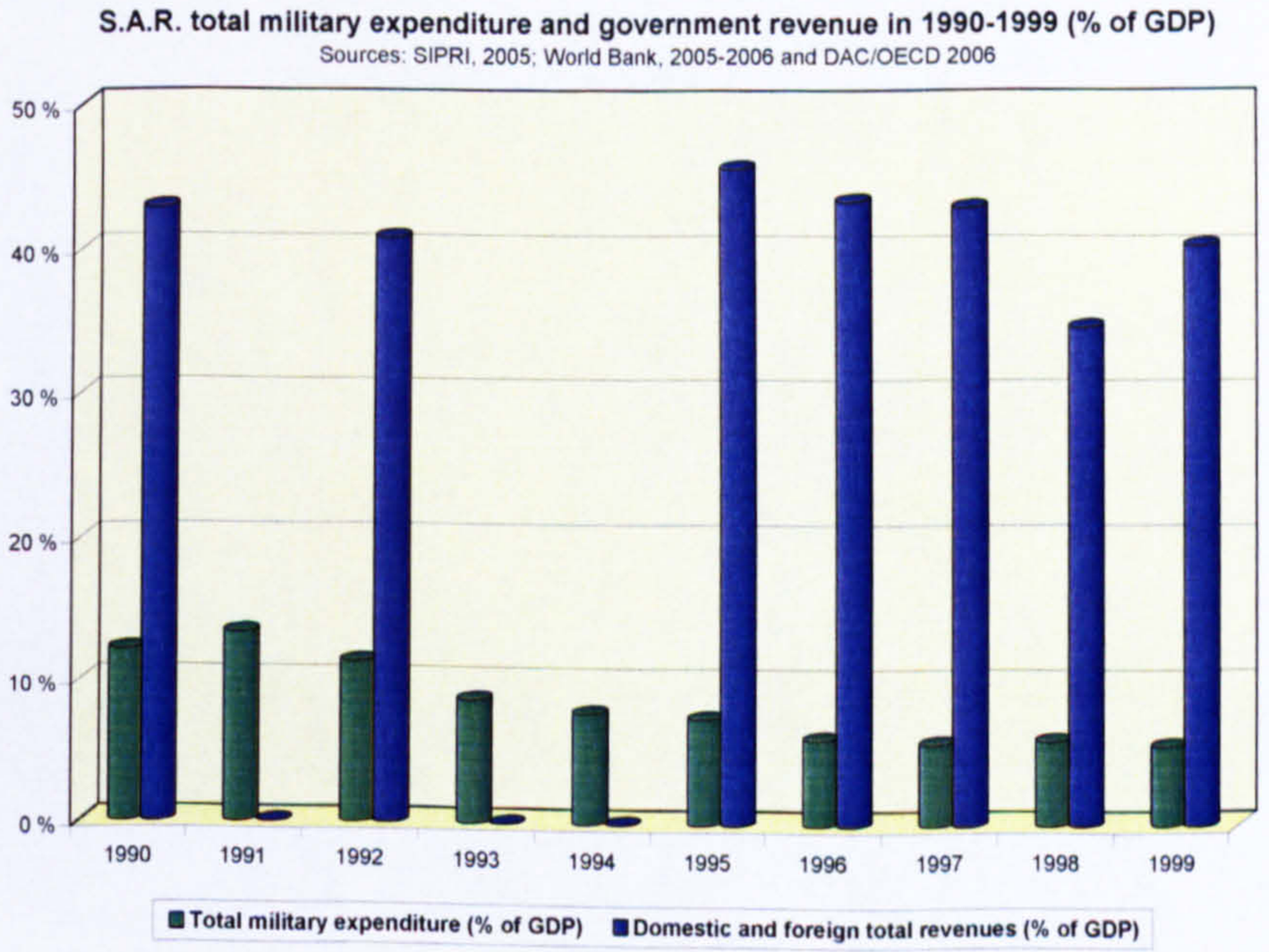


Table 47:



The state of course was obliged to spend much of the new wealth on stabilizing measures and debt repayments after the disastrous economic climate of the preceding decade. Considering that the debt stocks were continuously higher than the GDP from the mid-1980s to 2003, there was a pressing need for extra revenues. The need for extra resources also increased as a result of population growth. At least some of the external revenues appear to also have been deposited as foreign assets. These foreign currency

reserves were likely to increase the regime's ability to have a financial buffer for regime security. The following table illustrates the debt stocks in relation to GDP and the increase of foreign currency reserves simultaneously with the increase of oil exports.

Table 48:

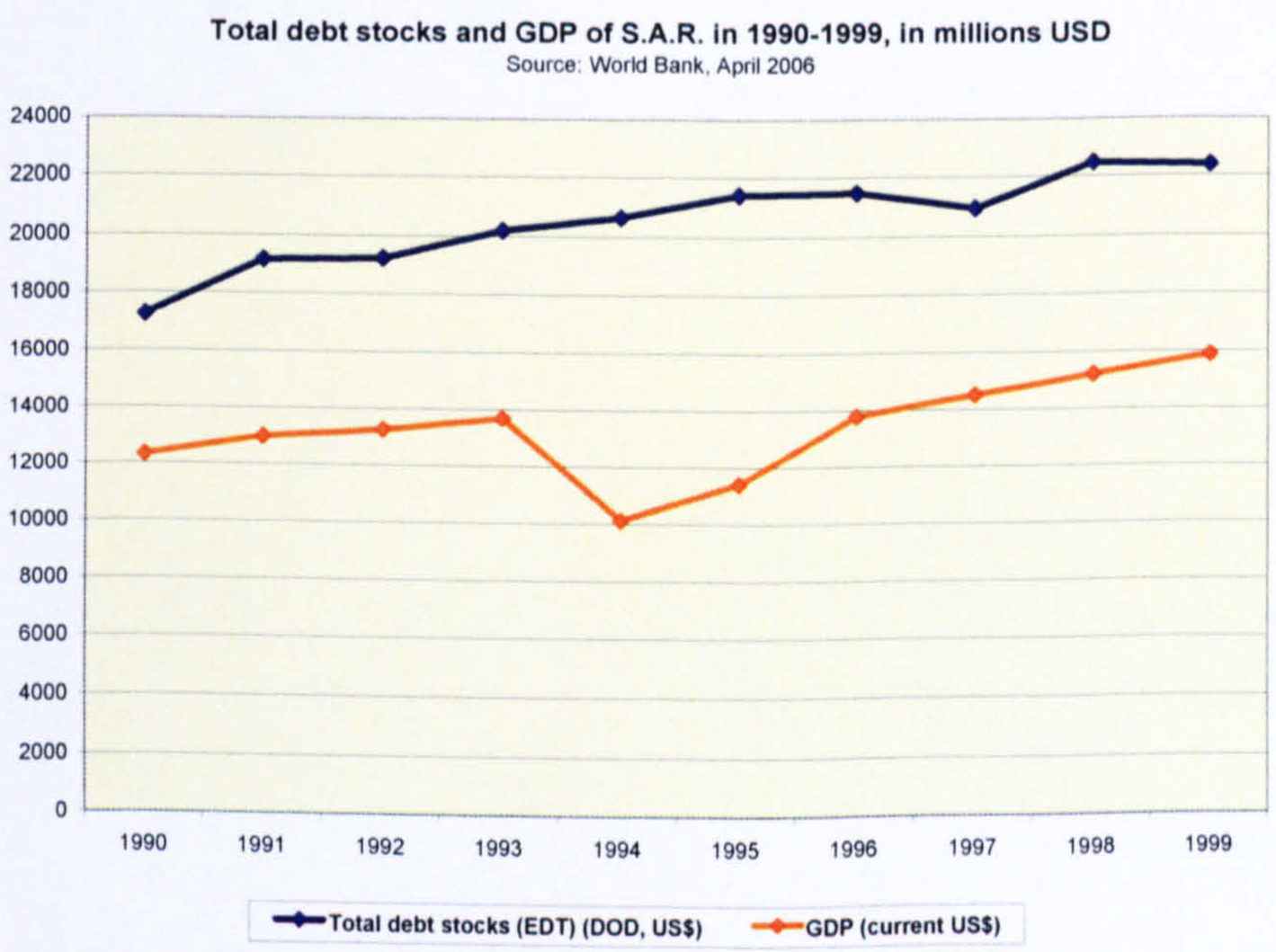
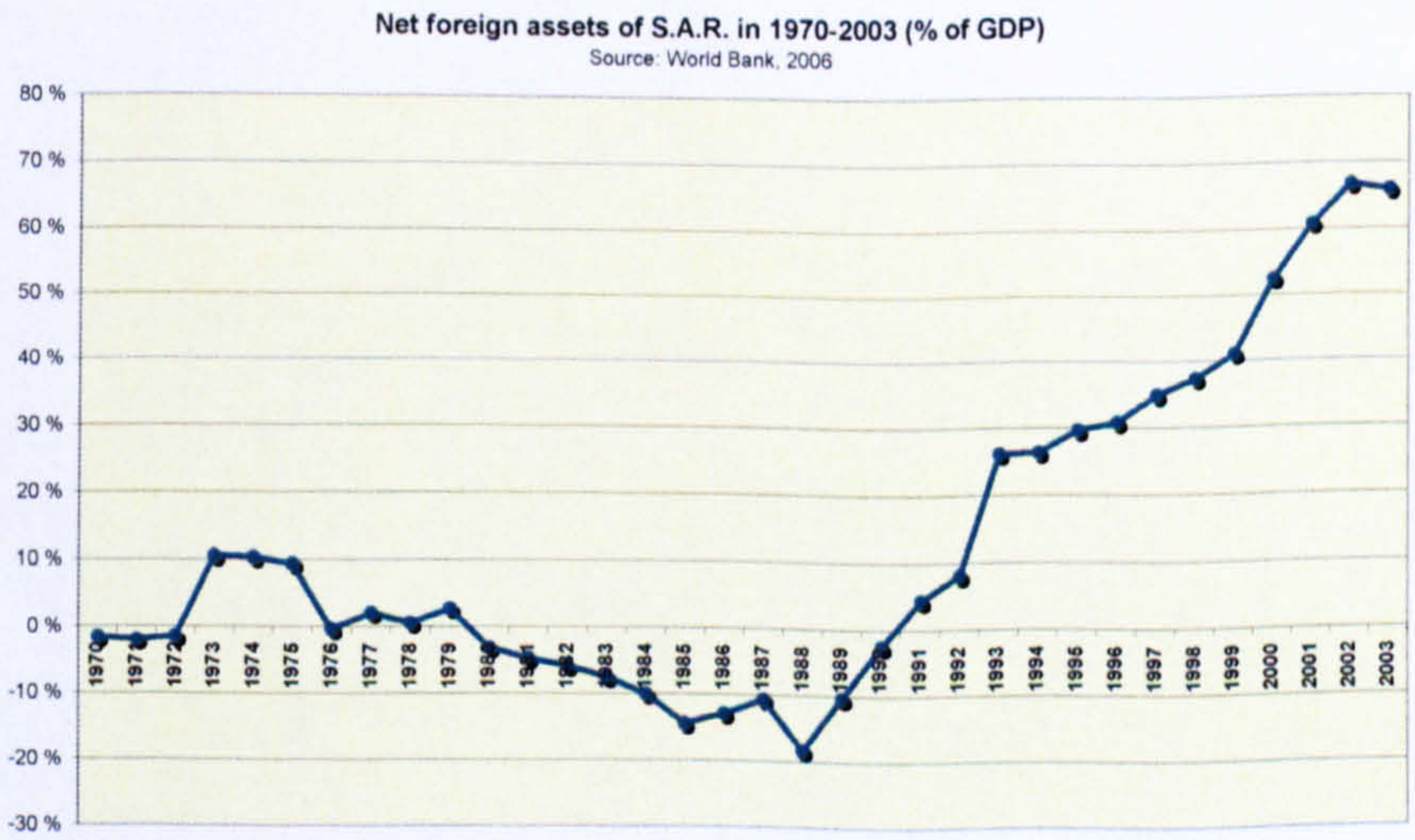


Table 49:



The regime's fiscal autonomy and ability to manage the debt crisis and spend elsewhere increased significantly, considering the lower military commitment and the increase in external revenues and tax income from the 1990s. If the external revenues increased by 5% of GDP as an annual average, and military expenditures declined by 17.5% of GDP as an annual

average, and taxation brought an extra 5% of GDP as an annual average, this theoretical estimation would have resulted in almost 30% of GDP of extra revenue compared to the Cold War era. Much of this increase, of course, should have gone to debt repayments. These figures are also naturally only very tentative, but the result is nevertheless important. It is possible to conclude that external resource extraction in the 1990s succeeded in returning the fiscal capabilities to the state that it had had during the 1970s and beginning of the 1980s.

Fiscal autonomy and economic policies of the state

The increase in fiscal capabilities and the endurance of the autonomy of the state becomes highly important if placed in the context of the emergence of the era of liberal hegemony, fall of the Cold War and the intense debt crisis experienced by many countries in the region. The fiscal capabilities allowed Syria to maintain its socio-economic structures and authoritarianism intact despite the external pressures of liberalization. This provides a powerful explanation as to why Syria - unlike many other Arab states – was able to maintain its political system intact after the end of the Cold War and afford to defend its sovereignty vis-à-vis international creditors.[352] This external extraction policy in Syria deferred Syria from resorting to domestic resource extraction strategies. In comparison, for example, Jordan had to resort to wider economic liberalization directed by the International Monetary Fund and the World Bank in return for loans to survive the debt crisis. Iraq is an extreme example of a country that rejected the idea of increasing domestic extraction because of regime stability, as Iraq resorted to an attempt to increase external extraction by occupation of neighbouring Kuwait.[353] Considering the debt of the acute economic crisis, Syria survived better compared to other Arab states as a result of its ability to extract by means of increased fuel exports. Indeed, the argument here is that the external

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[352] Hinnebusch, Raymond. "The Politics of Economic Liberalization. Comparing Egypt and Syria", p. 122.
[353] Tripp, Charles, *A History of Iraq*. Second Edition, Cambridge: Cambridge University Press, 2000, pp. 251-252.

revenues explain the endurance of a high level of authoritarianism in Syria since the Cold War.

The economic policies of the state included external resource extraction with minor economic liberalization for managing the debt crisis. The fiscal autonomy was sufficient for the state not to pursue further liberalization policies on a larger scale, but due to the debts, they were insufficient to completely avoid the pursuit of liberalization policies.[354] The revenues and some liberalization were just enough for the state to maintain its basic functions, and to continue with a number of features of a rentier state-economy, the state led-economy, allocation and co-option policies.

The Syrian economy in the 1990s was a mixed economy of an authoritarian state, as Hinnebusch calls it.[355] The state was not taking care of the major part of the economy as would have been the case in a pure rentier state economy, but the state controlled the economic activities. The interests of the bourgeoisie were not apparent in the policies of the state, but the state was driving its own interest, typical to rentier state economies. Compared to Egypt, where the state had to share power with the bourgeoisie from an early stage, Syria was still able to avoid this in the 1990s.[356] By 2000, Syria was a rentier state economy with a large private sector. This was clearly due to the external resource extraction option that Syria had at its disposal.

The liberalization measures that began at the end of the 1980s continued into the 1990s, but no major steps were taken. The limited economic liberalization was an act of bargaining with the private sector to balance the economy and to continue with the classic policy of co-option.[357] The economic accommodation revolved around giving the private sector greater responsibility for the economy. By the end of the 1990s, the state no longer had a monopoly over foreign trade, price controls were relaxed, there was

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[354] Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 313.
[355] Hinnebusch, "Calculated Decompression as a Substitute for Democratization: Syria", p. 233.
[356] Hinnebusch, "The Politics of Economic Liberalization. Comparing Egypt and Syria", p. 130.
[357] Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 317.

new concessionary investment, new tax laws and more mixed sector companies.[358] At the beginning of the 1990s, the private sector had a 90% share of agriculture, half of the foreign trade, most of the domestic trade and close to 75% of surplus from industries.[359] By 2001, 65% of GDP was produced by the private sector.[360] As a result, taxation revenues to the state also increased. In 1990s, the taxation was an annual average of 17.3 % of GDP, which is around 5% more than during the Cold War era.[361]

Limited economic liberalization was pursued for regime security; in other words it was defensive.[362] Economic liberalization was therefore not deep: although the private sector share increased significantly, the reforms did not affect its dependence. Secondly, the private sector was happy with the marriage with the state. It had no interests in opposing the state. Although there was a need to bargain with the bourgeoisie, this had no effect on politics, because the bourgeoisie did not oppose the state.

The state became more dependent than before on the private sector in the economy,[363] but the private sector was more dependent on the state, due to the continuing co-option strategies and ability to keep the interests of the private sector tied to the state. For basic activities, the bourgeoisie still required state licenses and protection.[364] The bourgeoisie did not have organizational strength and had no interest in challenging the state. The regime was not promoting the interests of the bourgeoisie, but the state.[365] Liberalization did not constitute a change in the balance of power, only an increase in emphasis on business people. There was an exhaustion of

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[358] Hinnebusch, "The Politics of Economic Liberalization. Comparing Egypt and Syria", p. 121.
[359] Perthes, "A Look at Syria's Upper Class: The Bourgeoisie and the Ba'th", p. 31.
[360] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 30.
[361] International Monetary Fund. International Financial Statistics, October 2006.
[362] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", p. 267.
[363] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 31.
[364] For more on the role of the state and bourgeoisie, see Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 28-29 and 30-31.
[365] Perthes, Volker, The Private Sector, Economic Liberalization, and the Prospect of Democratization: The Case of Syria and Some Other Arab Countries. In Salame, *Democracy without Democrats? The Renewal of Policy in the Muslim World*, pp. 243-269, 259-261.

methods of co-option however. The limits of liberalization were faced and further reforms would have compromised too much of the regime's security.[366] Thus far, however, the state had sufficient fiscal capabilities to use some liberalization measures to co-opt and to strengthen the regime without compromising state autonomy.

Syria's economic reforms were carried out domestically, although many of the measures were according to the Washington consensus.[367] There was therefore very little external influence on Syrian economic or political liberalization. Hinnebusch claims that had Syria been allied with the US, there would have been pressure to reform.[368] In comparison, states with a similar economic structure but allied with the US and the EU, Egypt and Jordan, have made relatively significant progress with economic and political reforms. Syria limited the external influence and maintained as much sovereignty as possible, also on the economic front. Although there was a clear understanding of the need to integrate into the global economy from the Cold War[369] onwards, there was very little foreign investment and Syrian industry was protected from international competition.[370] Compared to other Arab states, Syria seemed to manage even better than others in limiting the effects of globalization. The economic liberalization also had a purely domestic logic, as the increased role of the private sector was seen as a boost to economic growth. Hinnebusch, however, writes that liberalization was also partly due to the understanding that Western alignment requires liberalization.[371] Although the external influence existed as a spirit of the 'liberal era' and there was some diffusion of values, in practice the economic reforms were due to domestic needs and they were executed with the logic of domestic power balance, without external interference.

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[366] Hinnebusch, *Syria. Revolution from Above*, p. 113.
[367] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", p. 248.
[368] Hinnebusch, *Syria. Revolution from Above*, pp. 103-104.
[369] Hinnebusch, "The Politics of Economic Liberalization. Comparing Egypt and Syria", p. 115.
[370] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", pp. 248, 251.
[371] Hinnebusch, "The Political Economy of Economic Liberalization in Syria", p. 316.

4.3 Regional peace making and state autonomy

This chapter analyzes how the prospect of peace making and decreasing war preparation affected the state autonomy. The chapter argues that the effect of the external environment regarding peacemaking did not diminish state powers, although military spending decreased. On the contrary, the prospect of peace making increased legitimacy and there were greater revenues to spend elsewhere while maintaining the same level of coercive capabilities. The fiscal capabilities still allowed the maintenance of the structures and status quo in the 1990s created by allocation and co-option during the Cold War. It is for this reason that the major events in Syria's international, regional and domestic environment from the end of the Cold War did not have an effect on its domestic political system. As the political structures were firmly created and steady, there was very little knock-on effect from the changes in the external environment and the same level of authoritarianism remained.

The external changes, end of the Cold War and regional peace negotiations affected the level of war preparation. Some level of war preparation was retained both for external and domestic purposes. The big difference was that war preparation was no longer pursued for actual war-waging, according to Perthes. From the early 1970s militarization was an end, not a means, for actual war-waging.[372] "Preparedness to conduct, let alone begin, a war with Israel was not even the central objective of war preparation. Instead, regime stability and control seem to have been much more pivotal."[373] He proves this by showing that arms imports to Syria were primarily defensive in nature, that military strategies were focused on the security of the capital and the regime, and that there was no development of a war economy and almost no domestic production of arms. In addition, Syrian foreign policy shows a need to avoid both war and peace.[374] This

[372] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", p. 151.
[373] Ibid, p. 160.
[374] Perthes, "Si Vis Stabilitatem, Para Bellum. State Building, National Security, and War Preparation in Syria", pp. 159-165.

would lead to suggest, as Perthes does, that war preparation served a domestic aim, although the external threat was real.[375]

Similarly to Perthes, I would argue that war preparation was both for external and domestic purposes, but there were limits to the extent to which domestic security would have been sacrificed for external purposes in the 1990s. The lack of a war economy is explainable thus. Proof of this is also found in the reduced effort for war preparation after the decline in rents.[376] Syria cut on arms imports, but maintained the extent of the army for domestic reasons. Also, the limited war preparation effort served the regional purposes of Syria. War preparation was about reaching a maximum level of deterrence. There was no reason to prepare for actual war. In addition, there was no realistic option to win a war. Therefore, the war preparation was limited to serving the external purpose of deterrence.

The effect domestically was such that the state had the fiscal capabilities to maintain its security sector at a level that made it possible to maintain the coercive capabilities domestically. There were no significant changes made in the army or security sector. The coercive capabilities of the state can be expected to have remained the same. The numbers employed by the army declined somewhat from 1989. Altogether in the 1990s, the decline of persons employed by the army was from close to 12% to close to 8%.[377] However, the amount of staff in the domestic security apparatus is not included in this figure, and there are no reliable figures or estimations on this. The small decline in army manpower itself had no large impact on the coercive powers of the state. Thus although peace negotiations had some effect on war preparation, it can be assumed that it did not have any effect on coercive powers. With the same fiscal and coercive powers, the autonomy of the state was similar to that of the Cold War period.

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[375] See also Zisser, *The Syrian Army: Between the Domestic and External Fronts*, p. 6.
[376] Clawson, "Unaffordable Ambitions: Syria's Military Build-up and Economic Crisis", p. 7.
[377] The World Bank: World Development Indicators (Edition: September 2005).

There was no need for bargaining with the public on spending on war preparation, and neither was there any need to bargain with people on peacemaking. First, the president had autonomous powers on foreign policy decisions. Second, there was no opposition to peacemaking – on the contrary. Unlike in Jordan, for example, where the large Palestinian population negatively affected opinions on peace with Israel, in Syria, peace according to Syrian demands would have been a sign of national greatness and a great success of Asad's foreign policy.[378] Peace has also been viewed as attracting new investments.[379]

There were no significant changes to the institutional capabilities during the last ten years of Hafez al-Asad, 1990-1999. Limited economic liberalization, although it created a very large private sector, did not lead to political liberalization or democratization. Having said this, there is a need to analyse the small changes at the beginning of the 1990s in the political sphere and their potential to be defined as acts of political liberalization or democratization. First, there were public reactions by the president to the fall of communism and the emerging hegemony of liberalism. Some rhetoric on pluralism increased. Asad insisted that Syria has a "multi-party system" and because of the large private sector, Syria was not a socialist country.[380] This can be seen as addressing the international and domestic audiences by very modestly acknowledging that the Ba'ath ideology was outdated. This was also apparent in Asad's manoeuvres in giving private sector representatives public attention, by showing alliance with important businessmen.[381] This rhetorical flirtation was done without ever undermining the party as one of the foundations of the state and regime. The rhetoric and manoeuvres can therefore be seen as nothing but defensive. The rhetoric was used to rally support for the regime by showing adaptation to the new world.

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[378] Hinnebusch, Raymond A. "Syria: The Politics of Peace and Regime Survival". *Middle East Policy,* Vol. 3 No. 4, April 1995, pp.74-87, p. 85.
[379] Perthes, Volker. "From Front-Line State to Backyard? Syria and the Economic Risks of Regional Peace". *The Beirut Review*, No. 8, Fall 1994, pp. 81-95, p. 90.
[380] Perthes, *The Political Economy of Syria under Asad*, p. 138.
[381] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", pp. 253-254.

At the same time, by the turn of the decade, there was an important move to increase the number of seats in parliament and allowing independents to run as candidates. In the elections of 1991, independents won 30% of the seats.[382] The new parliamentarians were mostly businessmen, but also traditional leaders and urban middle class professionals.[383] This meant that the balance was shifted so that the bourgeoisie and other middle class rose in importance in relation to the bureaucracy and the traditional Ba'ath party members. Although this was an important move in the otherwise stagnant Syrian political scene, the effect on liberalization or democratization was minimal, or close to none. The independents worked along the party line and did not bring any opposition to the parliament. The true competition that reportedly appeared among independents did not increase political competition in any liberal sense. Rather, the competition was about access to allocation by the candidate and his voters. Also, according to Perthes there was no true activation of the parliament. The role of the parliament did not change from "a quasi corporatist forum". The parliament discussed, but had no power over decisions on economy, services, and local interests. There was still no criticism of the president or security, defence and foreign affairs.[384] According to many analysts, this move was indeed due to a fall in the external revenues of the regime.[385] However, as the preceding chapter shows, the external revenues did not fall. More correctly, the economic crisis ate more of the revenues, and there was therefore a need for private capital and co-option. The extension of the parliament can therefore be seen as nothing but a new added method of co-option of the bourgeoisie after economic liberalization, necessary to keep their interests tied to the state.

Some political relaxation also appeared. Political prisoners were freed 1991-1992.[386] Coercion was milder, press freer and the personality cult of the

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[382] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and Some Other Arab Countries", p. 253.
[383] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 423.
[384] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", pp. 252-253.
[385] Ayubi, *Over-Stating the Arab State. Politics and Society in the Middle East*, p. 423.
[386] Perthes, *The Political Economy of Syria under Asad*, p. 139.

president was reduced.[387] Parts of emergency law were also abolished related to economic crimes. In 1992 the president even hinted that new parties might be allowed. Although these moves are important in the Syrian context, they can not be counted as real moves to political liberalization, rather a relaxation from the previous intense coercion and repression suitable to a time of change internationally, regionally and domestically. Perthes also sees liberalization as a need to co-opt the losers of economic liberalization, yet again a method to strengthen the regime.[388]

The best indication of the lack of any true democratization or political liberalization was the fact that there was still no opposition, whose sphere of influence versus that of the state could have increased. There was no independent bourgeoisie. There was practically no civil society. Indeed, Syria was among the worst cases in regional comparison in this regard. The few associations and relatively important trade unions were part of the state sphere of influence. If any democracy demands were to rise from the public, they were not to be expected from the bourgeoisie, but from the middle class intellectuals, who had made such demands in trade unions in 1987. Because of the lack of civil society, if there was to be political competition for a change in the balance of power, that was not a competition between the state and the civil society but a competition within the state.[389] Within the state, the situation was stagnant and there was no power struggle. Participation within the state was also very limited. There was no Ba'ath party congress from 1985.[390] The president held power as during the Cold War.

The liberal thesis indeed seems to be wrong in the Syrian case. Even as the private sector increased, no political reforms followed. This has also been the case with other Arab states to a varying degree. There are indeed large variations between different countries in the amount of political

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[387] Hinnebusch, *Syria. Revolution from Above*, p. 234-235.
[388] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", pp. 251, 256-257.
[389] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", pp. 263, 265-267.
[390] Hinnebusch, *Syria. Revolution from Above*, p. 78.

liberalization and democratization although the level of economic liberalization would have been approximately the same.[391]

4.4 Conclusions

This chapter has shown that despite the enormous changes in the international and regional environment, the Syrian state held its power and there was almost no effect on the authoritarian political system. The major changes in the external security and fiscal environment were the end of the Cold War, the loss of the superpower patron, the diminished importance of the Arab-Israeli conflict and a practical end to the pan-Arab commitment. In other words, the most defining features of the Syrian external environment, that were proven to have benefited the Syrian state consolidation in the preceding chapter, were gone. The security and financial gains from the USSR were substituted by the hegemonic position of the US, which did not give Syria many security or economic gains. War preparation was substituted by peace making. As a result, the availability of external revenues in form of foreign aid came down significantly and the lower threat level diminished war preparation. These should have affected state power if these external effects were as important as argued in the previous chapter.

The effects on the Syrian political system, however, were minor. The main conclusion of this chapter is that the external resources did not indeed decline, as is often thought. This is attributable to the increased fuel exports that substituted the decline of aid. Actually, external revenues in the 1990s were almost at the same level as at the height of the large aid income years of the end of the 1970s and beginning of the 1980s, the annual average being 18.6% of GDP. The fuel export income constituted 16.3% of annual average of this figure.

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[391] Perthes, "The Private Sector, Economic Liberalization, and the Prospects of Democratization: the Case of Syria and some other Arab Countries", p. 266.

Because of these external revenues, the Syrian state did not lose its fiscal powers and did not, therefore, have to resort to extensive economic liberalization, which would have demanded some changes in the socio-economic or political structures of the state. Syria did not have to lose its sovereignty vis-à-vis external creditors, the International Monetary Fund and the World Bank, as Jordan and Egypt did, or follow any certain economic policy that would have been against the interests of the state. Therefore, no significant re-structural change occurred in the economy. A severe economic crisis was managed with limited liberalization that made the private sector larger than the public, but kept the state as the leading force in the economy. A small number of political liberalization measures also took place for the sake of co-option, but they did not affect the foundations of the political system or the power balance between the state and civil society. Indeed, the moves only enhanced the institutional powers of the state.

It is possible to speculate that had the fiscal powers declined severely and had the economic crisis deepened, Syria would perhaps have been more interested in Western alignment and a peace deal with major economic benefits. Being in a surprisingly comfortable situation as Syria was, although deeply indebted, Syria could also avoid the Western opening and international creditors and the outside pressure for opening its political system. Therefore, practically no window-dressing of democracy appeared and unlike Jordan and Egypt, Syria did not take any steps in a semi-authoritarian direction.

The lower level of war preparation did not reduce the extent, manpower or political importance of the army, police and other security organizations. Although war preparation expenses diminished by 17.5% of GDP as an annual average, much of this decline was from arms imports and did not therefore affect the spending on staff salaries. The co-option through the coercive institutions of the state therefore still held importance. The war preparation effort did not require domestic extraction, because of the remaining high levels of external revenue and declined levels of spending on

war preparation. Military expenditure was only 45.2% of GDP of external revenues as an annual average. The coercive capabilities were in place with no significant effect on them.

Despite the demolishment of some of the foundations of foreign policy, there were no legitimacy problems for the regime, because of the successful adaptation to the new regional and international environment. The fall of communism and the failure in foreign policy orientation was addressed to the public without legitimacy problems. The turn to peace negotiations might even have increased the legitimacy of the state.

Despite the enormous changes by the end of the Cold War, the emerging hegemony of liberalism, the regional shift to peace making and the economic crisis, the Syrian state had autonomy, efficiency and legitimacy and ability to maintain the power structures of the state without any political concessions on the level of authoritarianism.[392] The state was firmly consolidated.

The 1990s gave few indications of trends that became more apparent since the new president took up his role in 2000. There was an understanding of a need for economic integration and political engagement with the Western actors, hence the rhetoric on pluralism. There was an acknowledgement of the need for the enlargement of the private sector for economic growth, hence the economic liberalization moves. It was also clear that criticism would not arise from bourgeoisie but from the intellectuals, as happened in 2000, and that the political power struggles would take place within the regime, as became clear with the arrival of the new president and his policies that challenged some of the status quo. The 1990s were, however, an era of continued stagnation and urge for maintaining the status quo for regime stability. The structures that were built during the Cold War continued to rule without interruption.

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[392] The fuel export revenues have been argued to have been the main reason for continuing with old policies in the previous explanations as well. Hinnebusch, *Syria. Revolution from Above*, p. 235.

5 External influence on Syrian authoritarianism 2000-2005

5.1 International and regional gains and pressures

Increasingly from the year 2000, pressure from the hegemonic superpower, the US, on Syrian foreign politics came to define the Syrian external environment. This rendered Syria's regional position increasingly vulnerable. Syria's regional position outside the US alliance made Syrian policies more confrontational and more problematic for the US, and the US used pressure and isolation policies against Syria. Moreover, the external threats became increasingly directed towards the regime, rather than the state. This had important consequences for the foreign policy of Syria. In addition, there was a looming threat from the fiscal environment, as fuel export revenues were predicted to fall drastically and be exhausted in the near future.[393] It is argued here that the domestic dimension in foreign policy, and the measures that could promote regime security and its fiscal capabilities, rose in importance from 2000. This is despite the fact that, in short term, Syria was indeed able to extract a significant amount of external revenues, particularly due to the high oil prizes. This chapter analyzes the external environment of the regime headed by the new president Bashar al-Asad from 2000 to 2005, and its abilities to dilute pressure and maximize its external gains in order to strengthen state power.

New security environment in the context of US pressure

The external environment of Syria from 2000 was mostly affected by the regional order defined by growing US hegemony. As Syrian interests were mostly contrary to the interests of the US in the region, there was evidently an increasing level of confrontation between the two. Syrian goals continued to focus first and foremost on its national interests concerning the return of the Golan Heights. Given the lack of prospects for negotiations (a reflection

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[393] *International Monetary Fund, Executive Board Concludes 2006, Article IV: Consultation with the Syrian Arab Republic.* Public Information Notice (PIN), 7. August 2006.

of a strong Israeli regional position and a weak Syrian one), Syria pressured Israel politically and militarily by supporting Hizbollah, using its presence in Lebanon, supporting Hamas and maintaining its alliance with Iran. Syria also deepened its relations with Iraq on the basis of its domestic economic needs.[394] The traditional regional aims of the US were related to securing Israel and diminishing the regional power of Iran and Iraq in the Gulf region for energy security.[395] From the US perspective, the Syrian confrontational strategies threatened Israeli security. Syria's alliance with the non-friendly Iran and Iraq also positioned Syria in a negative light. After September 11, the war against terrorism increased the pressure on Syrian support for Hizbollah and the Palestinian groups. Syria was against the war in Iraq and aimed to balance the US influence on its borders. Finally, Syria became a problem for the US because of its alliance with Iran. As an aftermath of the Iraq war, the increased Iranian aim to balance its security deficit by playing with nuclear ambitions and the rise in its regional strength made its Syrian ally an obstacle for the US in blocking Iranian influence in the region. Therefore, Syrian regional interests were contrary to interests of the hegemonic superpower in all important aspects. Despite understanding the need to re-position itself in a better light with the US, its focus on Golan placed Syria firmly on the losing side. Syria remained outside the US military, political and economic support that countries like Jordan and Egypt enjoyed, and became vulnerable to military, political and economic pressure and isolation by the hegemonic world power and its allies.

As a result, the external environment had two defining levels for Syria from 2000: the traditional level, which included the Syrian-Israeli confrontation and the related aspects of Syrian presence in Lebanon and support for Hizbollah and the Palestinian groups; and the broader regional level, affected by the US policy change. As a result of the change in US policies in the region - especially the war in Iraq - there was a major transformation in the regional security architecture, which ended the traditional divisions that were based on the Arab-Israeli conflict, and brought new divisions between

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[394] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 49, 54, 56.
[395] Indyk, "Back to the Bazaar", pp. 75-88.

Syria, Iran and their regional allies, Hizbollah and Hamas on the one side, and Israel and most of the Arab states on the other.[396] This worked against Syrian national interests in the Arab-Israeli conflict, because the policy of pressure and isolation by the US reduced Syria's ability to use negotiation to achieve peace.

Because of this duality in the foreign policy environment, Syrian policies were also two-dimensional. On the one hand there were policies that were related to the national interests against Israel, and on the other hand policies that aimed to overcome the threats from the newly emerging security architecture and the US. These were very often conflicting and more than ever gave mixed signals, as Syria employed both confrontational and complying strategies and tactics. Based on this duality, there are also several schools of thought in the analysis of Syrian foreign policy.[397] In this research, the logic of Syrian foreign policy is analyzed to be such that unless the vital national interests related to confrontation with Israel were not at stake, Syria aimed to end its isolation and bandwagon with the new regional hegemony of the US. It is argued that security and fiscal threats for Syria were such from the external environment, that Syria was increasingly eager to turn to the West and end its isolation. First, the threat from the environment within these two contexts will be analyzed. I then move on to review the ways in which Syria aimed to overcome the effects of the pressure on its security and fiscal capabilities and state power.

The broader regional context of Syria's external environment

In the context of the changed regional security architecture, the most defining threats arose from the new Syrian position in the region in conjunction with the shift in US policies from supporting Arab-Israeli peace

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[396] For the discussions related to emerging new regional trends, see for example Haas, Richard N. "The New Middle East". *Foreign Affairs*, November-December 2006, pp. 2-11. Nasr, Vali. "When the Shi'ites Rise." *Foreign Affairs*, July-August 2006, pp. 58-74. Susser, Asher. "Iraq, Lebanon and Gaza: Middle East Trends". *TelAvivNotes*, Moshe Dayan Center, 22. July 2007.

[397] For example "The Syrian Challenge". Event at the Carnegie Endowment for International Peace, Washington D.C, 30. March 2006.

into war against terrorism, isolation of "rogue regimes" and the policy of regime change. After September 11, the US aim to re-organize the Middle Eastern regional order became the important issue defining Syria's external environment. The war on terrorism meant that Syria was analyzed less through the prism of Israel-Palestinian or Arab-Israel conflict, but through perceived regional problems, causing direct threats to the US.

The war on terrorism put pressure on Iraq, Syria and Iran, who were defined as state-supporters of terrorism by the US, and made their policies more problematic for the US.[398] Syria had been listed as a state-supporter of terrorism since 1979. After September 11, the US underlined that in addition to terrorist groups, there were threats rising from "the axis of evil" of Iraq, Iran and North-Korea. The US saw these states as state-supporters of terrorism with WMD capability. Therefore, they posed a threat to US national security. Without directly mentioning Syria specifically, in the State of the Union speech, President Bush said: "States like these, and their terrorist allies, constitute an axis of evil, arming to threaten the peace of the world. By seeking weapons of mass destruction, these regimes pose a grave and growing danger. They could provide these arms to terrorists, giving them the means to match their hatred. They could attack our allies or attempt to blackmail the United States."[399] Syria was never referred to as belonging to the axis of evil, but as a state "beyond the axis of evil", together with Libya and Cuba, causing concern because of their WMD capabilities.[400] The threat was directed particularly to the regimes. The new security doctrine advocating the use of pre-emptive force by the US to guard its security placed extra pressure on the state supporters of terrorism.[401] Due

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[398] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 16.
[399] Bush, George W. *President Delivers State of the Union Address*, Washington D.C, 29. January 2002.
[400] Bolton, John R. *Beyond the Axis of Evil: Additional Threats from Weapons of Mass Destruction*, Remarks to the Heritage Foundation, Washington D.C, 6. May 2002. See also Fleischer, Ari. *Press Briefing by Ari Fleischer*. Washington D.C, 15. April 2003. Powell, Colin L. *Interview by SkyNews with Kay Burley*. Washington D.C, 16. January 2004.
[401] *The National Strategy for Homeland Security*. Office of Homeland Security, 19 July 2002.

to the belief that Syria posed a threat to US interests, guidelines for possible US military operations against Syria were designed and updated.[402]

The regime change policy expressed the newly emerged threat to non-US-friendly regimes in practice. The policy of regime change, which was advocated by the US from the Clinton administration's stance towards Iraq, gained in importance from September 11, due to the doctrine of military pre-emption.[403] Although the policy of regime change was also suggested to apply elsewhere than in the Iraqi case, an aggressive Iraq-like regime change policy was never articulated by the Bush administration towards Syria.[404] The topic was widely discussed, however, and some officials seemed to have supported a regime change policy also regarding Syria.[405]

The war in Iraq in spring 2003 changed the Syrian security environment most concretely. The US had indeed executed its pre-emptive doctrine and acted against a state in "the axis of evil". The war also made the US a regional superpower. This, in addition to the fact that the US troops were just across the Syrian border, gave the US an unforeseen tool for political and military pressure against Syria. Syria became encircled by US allied countries: Israel threatening Syria militarily, Jordan holding a strategic alliance with the US, post-Saddam Iraq with a pro-US government and a significant amount of US troops and the NATO-member Turkey. The remaining strong regional ally Iran was similarly encircled by US troops in Afghanistan and Iraq.

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[402] Military planning was conducted against potential nuclear powers in January 2002, including Syria. This was outlined in *Nuclear Posture Review*, 8 January 2002, Arkin, William M. "Early Warning", *Washington Post*, 7. November 2005.

[403] See for example Walker, Edward S. Jr, Statement by Assistant Secretary for Near Eastern Affairs, Washington D.C, 29 March 2001. Press conference by President Bush and President Fox, Monterrey, 22. March 2002.

[404] Indeed, this was denied several times. See for example interview with Ari Fleischer, *Press Briefing by Ari Fleischer*, Washington D.C, 20. September 2002 and 10. April 2003. Powell, Collin, Interview with WMJI Cleveland with John Lanigan and Jimmy Malone, Washington D.C, 21. January 2004.

[405] "Syria: Political Conditions and Relations with the United States After the Iraq War." *CRS Report to Congress*, 10. January 2005. For speculations of regime change in Syria, see for example Pincus, Walter. "Bush Aides Eye Syria Regime Change. But Conservative Hawks Stress Peaceful Means", *Washington Post* (Pittsburgh Post-Gazette), 9. April 2003. Peimani, Hooman, "Syria Expects the Worst," *Asia Times*, 9. April 2003. Harnden, Toby. "Syria 'Top Target for Regime Change', *Gulf News*, 9. April 2003. Landis, Joshua M. "Neo-con Plans for Syria". *Syria Comment*, 20. May 2004.

After the war in Iraq and suspicions of the Iranian nuclear drive[406] increasingly came to define regional politics, US attention was tied to the Gulf regional sub-system, rather than the Arab-Israeli one. Eliminating Saddam's regime also opened the door for increased Iranian influence in the region. The buffer provided by Saddam's regime for Iranian influence in the Arab world was gone and Iranian relations with Shi'a communities across the region provided a tool to broaden Iran's sphere of influence.[407] Syria, as the only regional ally of Iran, was seen in an increasingly suspicious light. The most important implication of this was that this reduced the attention to and support for Syrian foreign policy needs with regard to Israel.

From the onset of the Iraq war, the US increased its military, political, economic and rhetorical pressure against Syria and Iran. In Syria's case, the Syrian role in Lebanon was brought increasingly into question. The US increased its pressure policy on Syria by issuing sanctions against it in May 2004, which banned all exports from the US to Syria, with the exception of food and medicine.[408] Syrian flights to the US were banned, assets of certain Syrians in the US were frozen and there was an investigation of the commercial bank of Syria related to money laundering. The effects of the sanctions were, however, small because US products were imported to Syria via third countries.[409]

Most of the pressure was executed by allowing US military power to speak for itself. In mid-2004, the U.S. Central Command (CENTCOM) was ordered by the Secretary of Defence, Donald Rumsfeld, to conduct strategic planning for possible military attacks on Syria, more concretely defined as

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[406] Recently there has been some corrections in American estimations of the Iranian nuclear drive after the Iraq war. According to the report by the Office of the Director of National Intelligence, Iran had actually suspended their nuclear programme in 2003. National Intelligence Estimate; *Iran: Nuclear Intentions and Capabilities*, Office of the Director of National Intelligence 3. December 2007.

[407] See the earlier references to changing regional politics.

[408] United States Congress. Syrian Accountability and Lebanese Sovereignty Restoration Act of 2003, 11. November 2003. For more detailed information on the sanctions "Syria: Political Conditions and Relations with the US after the Iraq War", pp. 21-22

[409] Tabler, Andrew. "Can Syria Afford United Nations Sanctions?" *The Daily Star*, 6. December 2005.

"cross border operations to seal Syrian-Iraqi border and destroy safe havens supporting Iraqi insurgency, attacks on Syrian weapons of mass destruction infrastructure supporting the development of biological and chemical weapons, and attacks on the regime of Syria's President Bashar al-Asad." The US forces operated close to Syrian border as of 2003, there were reports of clashes between the US and Syrian forces and US special operations in Syria.[410]

According to Leverett, the US was also exploring the possibilities for bringing down the Asad regime easily. From 2005, the US pursued a policy of "regime change on the cheap".[411] In the State of the Union speech 2005, President Bush mentioned Syria as the first regime that needed to be confronted alongside Iran. "...we must confront regimes that continue to harbour terrorists and pursue weapons of mass murder." He legitimized this confrontation by reference to terrorism. "Syria still allows its territory, and parts of Lebanon, to be used by terrorists who seek to destroy every chance of peace in the region." "...we expect the Syrian government to end all support for terror and open the door to freedom." The reform demand rose in importance on the US agenda regarding Syria, but it was very secondary: "And the victory of freedom in Iraq will strengthen a new ally in the war on terror, inspire democratic reformers from Damascus to Teheran..." [412]

The "demands of democratization" by regime change was not on the US agenda, however. As the counter-terrorism policy widened to include tackling the root causes of terrorism, authoritarianism in the region became increasingly problematic for achieving the US goals. A comprehensive reform promotion policy was articulated by Bush first in February 2003.[413]

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[410] Arkin, William M. "Early Warning", *The Washington Post*, 7. November 2005.
[411] Khalid, Hasan. "United States is Inching Towards a Regime Change in Damascus, *Daily Times*, 27. April, 2005. Hoge, Warren. "UN Council Demands Syria's Full Cooperation", *International Herald Tribune*, 1. November 2005.
[412] Bush, *President Delivers State of the Union Address*.
[413] Reforms were first mentioned as an important policy objective in the Middle East by Vise Secretary of State William Burnes in November 2002. Burnes, William J. *Rebuilding Hope: American Middle East Policy in Years Ahead.* Remarks at the Baltimore Council on Foreign Affairs, 8. November 2002. See also Haass, Richard N. *Towards Greater Democracy in the Muslim World.* Remarks to the Council on Foreign Relations, 4.

Already before this, the Secretary of State Colin Powell had launched a Middle East Partnership Initiative.[414] The US used its close relations and cooperation with the regional allies to pressure them to open their political space. With the non-US-allied countries like Syria and Iran, the US used coercion to promote regime change. Particularly according to the neoconservative thinking, a change of regime would evidently lead to a change in foreign policy, as radical foreign policy has been attributed to the nature of the regime. A regime change would then bring both change in foreign policy and authoritarianism.[415] Although not solely guided by neoconservatives, some elements of this thinking have been apparent in the policies of the Bush administration.[416]

The American-allied Arab regimes therefore experienced pressure on their political systems, but Syria did not. Although democratization was at times high on the list of the priorities for the US administration with regard to the Middle East, in Syria's case it was hardly mentioned.[417] US interests regarding Syria were clearly linked to the question of regional security. The US time and time again emphasized a need for change in Syrian foreign policy. According to Western sources in Damascus, "Democratic reforms are not at the forefront in the US dialogue with the Syrians". There were no policies, nor indeed any policy tools for the promotion of political reforms in Syria either. Some human rights issues are taken up on a case-by-case basis, but not to any significant degree. Diplomats note that even if the strategy that left the domestic issues with regard to Syria aside were to change, the US has no policy tools whatsoever to push for domestic

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December 2002. Bush. George W, *President Discusses the Future of Iraq*, American Enterprise Institute, 28. February 2003.

[414] Powell, Collin L. *The U.S.-Middle East Partnership Initiative. Building Hope for the Years Ahead.* A Speech at the Heritage Foundation, 12. December 2002.

[415] For example in Iranian case, US links Iranian nuclear drive to the nature of the regime. Chubin, Shahram. "Iran's Nuclear Ambitions." Carnegie Endowment for International Peace, Washington D.C, 2006, pp. 1-2, 82-84.

[416] Heikka, Henrikki. "Uutta Etsimässä. Bushin toinen kausi ja transatlanttinen yhteistyö." UPI Briefing paper, 3, 12. October 2005, p. 4.

[417] The domestic reforms were only taken up in speeches after the Syrian withdrawal from Lebanon 2005.

economic or political reforms in Syria; the US could not even use development aid for leverage due to its own sanctions regime. [418]

At the practical policy level, the US pressured Syria on its presence in Lebanon, its support for Hizbollah, Hamas and other Palestinian groups, Syria's role in Iraq and WMDs.[419] A defining factor for the new relations was that the US policies did not include very clear demand lists with priorities, but there was a "policy vacuum". According to the International Crisis Group, US policy had been reduced to "demands and threats". What was clear, however, is that the US viewed Syrian regional policies as more and more harmful to US interests, and no longer accepted Syria's dual behaviour, using policies that were both positive and negative to US interests.[420] The US wished Syria to permanently change its foreign policies on the abovementioned matters.

Interestingly, although there was pressure on Syria because of its role as "a state-supporter of terrorism" and "a rogue regime" with WMDs, on a practical policy level, the US focused on the other context of Syrian foreign policy: the Israeli-Syrian confrontation, namely Syria's role in Lebanon, Hizbollah and Hamas. The US accorded less importance to the regional (Iraq and WMDs) context, although the issues became intertwined. An analysis of the speeches of the US President and the Secretary of the State at the time shows that, surprisingly, other issues such as WMDs were brought to the fore during the time between September 11 and the war in Iraq. Even after the war, this remained mostly the case.[421] Aside from the rhetoric, the US did not provide much new intelligence on Syrian WMDs, and a testimony by John Bolton, Undersecretary of State for Arms Control, was

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[418] Interview with a Western diplomat, Damascus, 10. August 2004. Interviews with several European diplomats, Damascus, August 2004.
[419] Interview with a Western diplomat, Damascus, 10. August 2004.
[420] *Syria Under Bashar (I): Foreign Policy Challenges*. International Crisis Group, 11. February 2004, pp. 3 and 7.
[421] This is evident in the speeches of the US President and Secretary of the state after September 11. See for example speech by Bush, George W. *President to Send Secretary Powell to the Middle East*, Washington D.C, 4. April 2002.

not seriously contrary to other analyses that stated that Syrian WMDs were not an offensive threat in the region.[422]

The US pressured Syria on its role in Iraq. Before the war, Syria was accused of shipping military equipment to Iraq. Syria was also accused of receiving Iraqi high officials after the war (and possible Iraqi WMDs outside Iraq, which later came to be proven wrong). Syria also turned a blind eye to the volunteers crossing the border to Iraq. A study based on information from a raid on the Syrian-Iraqi border indicates, however, that very few of the foreign insurgents were actually Syrian.[423] Syria also tried to expand its influence in Iraq by re-connecting with the traditional anti-Saddam allies. Furthermore, Syria was accused by the US of creating instability in Iraq, by allowing pro-Saddam former Ba'athists to reside in the country, and by directly supporting Iraqi insurgence or allowing the Iraqi insurgents to receive back-up from international *jihadists* travelling through Syria. The US pressured Syria considerably to abandon these policies. [424]

The Israeli-Syrian context of Syria's external environment

In the context of Syrian-Israeli confrontation, the threat environment changed for the worse from 2000, as far as the possibility of peace negotiations with Israel and the role of Syria in Lebanon are concerned. Hafes al-Asad had negotiated for a peace agreement with Israel December 1999 - January 2000. The last Israeli offer delivered by President Clinton was rejected by Syria in Geneva in March 2000.[425] The peace process having collapsed in 2000 and the second Intifada having begun, after signalling a continued willingness to continue negotiations, Syria started to resort to more confrontational tactics against Israel. Syria supported the *Intifada* politically and began to use very hard-line rhetoric, for example

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[422] *Syria under Bashar (I): Foreign Policy Challenges*, p. 22.
[423] "Foreign Fighters in Iraq Are Tied to Allies of U.S." *The New York Times*, 22. November 2007. Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 49-50. *Syria under Bashar (I): Foreign Policy Challenges*, p. 18.
[424] Interview with a Western diplomat, Damascus, 10. August 2004.
[425] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 53.

accusing Israel of Nazism.[426] Syria restated that a Syrian peace agreement must be part of a comprehensive settlement that includes a Palestinian state. Syria also continued its support for Palestinian groups, such as Hamas, that opposed Fatah and the Palestinian Authority.[427]

An important follow-up event to the failure of the peace process was the unilateral Israeli withdrawal from Lebanon only a few weeks before Bashar took office. This complicated Syria's presence in Lebanon and pressure increased slowly both from Lebanon and the US for Syria to withdraw and accept disarmament of Hizbollah.[428] Syria was determined to keep its Hizbollah card to fight Israel as long as Golan remained Israeli, and rejected calls for disarmament.[429]

As there was less need for the US to keep its contacts to Syria to mediate peace, the US increasingly exerted pressure on the Syrian regime to change its confrontational policies. At the beginning, the wording was very supportive and somewhat optimistic for resuming peace talks and changing Syrian foreign policy to solve regional problems and opening up the country after the death of Hafez Al-Asad.[430] From the onset of the Iraq war, the attempt to gain from Syrian isolation increased pressure on Syria, as far as its cards against Israel were concerned: Syrian presence in Lebanon and support for Hizbollah and Hamas. The US demanded that Syria close the offices of the radical Palestinian groups residing in Damascus and expel its leaders. The US also demanded that Syria restrain border activities of Hizbollah towards Israel, end its material and arms support and allow Lebanese troops at the border. The US further demanded that Syria

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[426] President Bashar suggested negotiations in an interview to New York Times in 2003. Syria also accepted the Saudi-Arabian proposal at the Arab League 2002 summit. Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 54.
[427] Hinnebusch, "Globalization and Generational Change: Syrian Foreign Policy between Regional Conflict and European Partnership", pp. 89-90.
[428] About criticism in Lebanon, Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 54
[429] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 58.
[430] See for example speeches Albright, Madeleine K. *Interview on CNN's "Late Edition" With Wolf Blitzer*, 26. March 2000 as released by the Office of the Spokesman, 27. March 2000 and Albright, Madeleine K. *Press Briefing*, U.S. Department of State, Washington D.C, 12. June 2000.

withdraw its military and political presence from Lebanon. The pressure on Syria's presence in Lebanon received greater attention following comments by Secretary of State Powell and National Security Advisor Rice in March 2003, stating that Syria must end its occupation and withdraw its troops stage-by-stage.[431]

In the midst of the hype of the US military presence in the region after the Iraqi war, as of August 2004 the US raised the call for withdrawal of Syria's presence in Lebanon to their top demand.[432] This was significant as former demands by the US to end Syrian occupation of Lebanon were considered by all as insignificant, rather as a bargaining tool to achieve other aims. Syrian presence in Lebanon had been quite institutionalized in the Middle Eastern regional order, and it was perceived as promoting stability within Lebanon. The policy shift by the US to pressure Syria to withdraw seriously from Lebanon was a result of a combination of international unity on the need for Syrian withdrawal after a series of Syrian overtures in Lebanon, broadly seen as serious strategic mistakes, namely the reappointment of Emile Lahoud as president and the murder of Rafik Hariri, which Syria was accused of.[433] Thus far, the EU had used engagement rather than coercion policy against Syria. In September, however, France joined the US in demanding Syrian withdrawal and ultimately led the EU also in changing its Syria policy.[434] As a result, a united position by the main international actors was put forward in UN resolution 1559 demanding Syrian withdrawal from Lebanon. The pressure increased from February 2005 after the murder of the Lebanese prime minister, Rafik Hariri, and the following UN investigation that early on suggested Syrian involvement.[435] As a result, Syria withdrew

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[431] *Syria under Bashar (I): Foreign Policy Challenges*, pp. 9, 13-14.
[432] Interview with diplomats Damascus, Summer 2004.
[433] *Syria After Lebanon, Lebanon After Syria.* International Crisis Group, No. 39, 12. April 2005, pp. 8-9.
[434] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 86.
[435] United Nations Security Council, *Resolution 1636 (2005)*, 31 October 2005. United Nations Security Council. *Resolution 1644 (2005*), December 2005, p. 15. The UN investigator Mehlis has been reported to have said in 17. December 2005 to Al-Sharq Al-Awsat that Syria was guilty. Mehlis said that after the second report, he was more convinced of the guilt of Syria. Biedermann, Ferry. "Mixed Reaction from Syria as UN Extends Inquiry". *Financial Times,* 16. December 2005. For UN report by Mehlis, see United Nations Security Council. Second Report of the International Independent

its army from Lebanon in April 2005. The pressure was indeed very effective. The withdrawal of the Syrian troops had illustrated Syria's regional weakness and the effectiveness of the policy of pressure and isolation by the US and the EU.

The withdrawal of the Syrian army from Lebanon was not enough to relieve the pressure. The Hariri case brought the serious threat of UN sanctions on Syria in the following autumn. The pressure also continued on Syrian support for Hizbollah,[436] several reports suggested that Syria still held intelligence officials in Lebanon and a spate of political murders that followed in Lebanon suggested a continued Syrian presence.[437] The pressure was such that the question of the durability of the regime was debated. During the most intensive time of the UN investigation in late 2005 and early 2006, the US indeed seemed to prefer to see how far it could push Syria to weaken the regime and to promote a change from below without any further external interference.

As a result, the external environment was very threatening to Syrian security and stability. The withdrawal from Lebanon had demonstrated Syria's weakness. Lebanon had been important for Syria's domestic sphere of influence by its political, economic and social function. Particularly Syrian businessmen and Syrian workers in Lebanon had benefited. Furthermore, Syria had lost important revenues to the economy. Politically, Lebanon was considered second after regime stability in the order of priorities for the regime.[438] The investigation posed a direct threat to the regime, as the inquiry suggested that several persons in the core decision-making elite had been involved with the murder, who were consequently vulnerable to charges at the international level. The entire Syrian regime would have been made accountable and a sanctions regime and international isolation were

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Investigation Commission established pursuant to Security Council resolutions 1595 (2005) and 1636 (2005). Commissioner: Detlev Mehlis. Beirut, 10. December 2005.

[436] US, Britain and France pushed for UN Security Council statement to condemn flow of weapons and personel from Syria to militia in Lebanon. Ghattas, Kim and Turner, Mark. "Syria Releases Opposition Politicians", *Financial Times* 18. January 2006.

[437] See for example Second semi-annual report of the Secretary-General to the Security Council on the implementation of resolution 1559 (2004), 26. October 2005.

[438] *Syria After Lebanon, Lebanon After Syria*, p. 8.

suggested if Syria did not comply with the demands of cooperation.[439] As the Syrian regime's fragility was increasingly discussed in the context of the Hariri investigation, the US also stepped up pressure for domestic reforms in Syria.[440] From the end of 2005, the pressure decreased, and the policy of isolation, especially by the EU, became milder, most notably after the Lebanon war of 2006.

As a conclusion, by 2005 the nature of the threat was arguably very different for Syria. These new threats were not so much directed towards national security in the traditional sense. Instead, they represented more direct threats to regime security. On top of these threats was a stronger external penetration in the region in the form of US hegemony, encompassing its changed military doctrine that would allow pre-emptive military action, lowered requirements for justification of the use of force, demands for regime change and political reforms in the region. The pressure on the regime was most manifest during the Hariri investigation. As a result, there were serious questions surrounding the survival of Bashar's regime.[441]

Importance of Western alignment, peace and fiscal gains for state power

Due to the need to dilute the security threat for the regime domestically, regime security and securing the state's fiscal capabilities became increasingly important in foreign policy. A further important reason for focusing on the economic backbone of regime security was the fact that the external fiscal environment posed a prospective threat to the regime. There was a credible possibility that the external revenues from fuel exports would decline and eventually become exhausted. According to the International Monetary Fund, Syria would become a net oil importer by 2010, when the

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[439] "Top U.N. Envoy to Present Syria With Ultimatum", *Washington Post*, 11. March 2005.
[440] Condolizza Rice criticized Syria of human rights abuses, arbitrary detention of human rights activists. Mahdi, Mazen. "Forum Ends without a Declaration", *Arabnews*, 13. November 2005.
[441] For example *Syria After Lebanon, Lebanon After Syria*, pp. 27-29.

external revenues became exhausted.[442] This was a particularly unsettling prospect for the regime that had a new leadership, was increasingly worried about the rising activity of the Islamist opposition throughout the region and that closely followed the fall of a Ba'athist Iraqi regime and statehood. Indeed, it is argued here that this situation engendered significant policy changes to increase both external and domestic resource extraction.

It is further argued here that security and fiscal threats for Syria were such from the external environment that Syria was increasingly eager to turn to the West and end its isolation. The peace deal with Israel and a welcome to the US camp of moderate Arab states and an association agreement with the EU would all dilute the external security threats, boost the state's fiscal capabilities and increase its autonomy, efficiency and legitimacy. Although returning the Golan heights to Syria, ending the state of war and its role as an outcast in the region had been the most important foreign policy goals from the end of the Cold War, it is argued here that because of the threat from declining revenues to the fiscal capabilities of the state, fulfilling these foreign policy goals became crucial in order to boost regime security. Therefore, the domestic considerations in an otherwise rational foreign policy increased.

This does not mean to suggest that Syria would have abandoned its confrontationalist policies towards the US that were contradictory to the aims of Western alignment and peace, such as war preparation against Israel through Hizbollah and maintaining influence in Lebanon despite international condemnation and pressure. Syria also allied against the US both internationally and regionally to dilute US influence and pressure.[443] It does, however, mean that there exist sufficient examples of Syria's desire to

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[442] International Monetary Fund, Executive Board Concludes 2006 Article IV Consultation with the Syrian Arab Republic, 7. August 2006.

[443] For example Syria deepened its relations with Russia. Russia for example sided with Syria on the matter of taking up the issue of Syrian and Lebanese track in the peace process. The rhetorical support was noticeable for example during the Russian Foreign Minister Ivanov's visit to Syria after the war July 2003. Russian Minister of Foreign Affairs Igor Ivanov Makes a Working Visit to Syria, Press release, July 15, 2003. Syria also had significant military cooperation with China, Russia and North-Korea in development of military technology. Interview with a European diplomat in Damascus, 4. August 2004.

end its isolation, to comply with some demands of international actors and pressure for peace negotiations to demonstrate that when the crucial national interests related to Syria's leverage against Israel (Hizbollah, Lebanon, Hamas, military alliance with Iran) were not at stake, Syria wished to change its regional position. Considering the list of issues that were crucial for Syria against Israel, it is quite clear why there has not been a Western alignment for Syria thus far, so contrary are its interests to those of the US in the region. Here I present only the policies that were compliant.

The examples of the increasing importance of the urge for Western alignment, peace, and economic gains by external resource extraction in foreign policy are: 1) compliance to some of the US demands; 2) an urge to commence peace negotiations with Israel; 3) closer alliance with the EU for security, trade and aid; 4) buying Iraqi oil against UN sanctions; and 5) the increasing promotion of foreign investments and diversification of trade partners.

Compliance to certain US demands

There was significant compliance by Syria to US demands after the US started its war against terrorism, and even more so after Syria's regional position weakened significantly from the onset of the war in Iraq. In the short term, Syria wished to dilute US pressure (that it initially considered as temporary), while still keeping a firm hold on its bargaining cards. According to ICG, "The hope was that these would be read as positive signals and compensate for whatever was not being done".[444] This was done by episodic compliance on issues related to cooperation in the war against terrorism, support for Palestinian groups and Syrian influence in Iraq and Lebanon.[445] The US did not recognize this compliance, however, and rather

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[444] *Syria Under Bashar (I): Foreign Policy Challenges*, pp. 4, 7.

[445] The Syrian reactions may have further been complicated by a divide within the elite on how to react to US pressure. Although all were highly suspicious, others wished for active engagement, others saw the US as permanently hostile to Syria, and for this reason, engagement and concessions would not improve relations but diminish Syrian regional influence, according to the US wishes. *Syria under Bashar (I): Foreign Policy Challenges*, p. 5.

than reducing pressure and noticing Syrian compliance, the US raised the pressure.[446] The height of compliance was the Syrian military withdrawal from Lebanon in spring 2005. Since the murder of Hariri and the growth of external pressure on Syria, Syrian compliance diminished. Nonetheless, despite the fact that Syria's policies became even more confrontational from that point in time, the peace overtures from 2004 that continued even during the Lebanon war suggest that in the long term, Syria wished to improve its relations with the US.

After September 11, the Syrian need to bandwagon and comply with US demands increased. Syria reacted to the new circumstances with some suggestions of cooperation in counter-terrorism. Syria reportedly cooperated with the US on sharing intelligence on al-Qaida[447], an issue which served Syrian interests well. The Syrian government separated international terrorism and the legitimate resistance activity of Palestinians and Hizbollah from *jihadism*.[448] Preventing Islamist radical activity was important for the Syrian regime from a domestic point of view. This "bandwagoning" was effective in reducing the pressure on Syria temporarily and is most concretely reflected in the fact that President Bush postponed the signing of the bill forging economic sanctions against Syria following the intelligence cooperation between the countries.[449] This is also said to be the reason why Syria was not included in the "axis of evil". However, the US did not view the US-Syrian cooperation on al-Qaida as a substitute for compliance to the growing US demands regarding Hizbollah and Hamas.[450]

After the Iraq war, in 2004 Syria also partly complied with the demand to end its support for Palestinian groups residing in Damascus. Syria closed the offices of Palestinian groups in Damascus, but allowed individuals to remain

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[446] *Syria After Lebanon, Lebanon After Syria.*
[447] See also Crauss, Clifford. "US Welcomes Thaw in Relations with Pragmatic Syria". *New York Times*, 2. January 2002.
[448] For example interview with a Syrian official, Damascus, 27. August 2004.
[449] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, pp. 16-17.
[450] *Syria under Bashar (I): Foreign Policy Challenges*, p. 3.

in Syria.[451] Syria closed media offices, cut telephone lines and asked them to keep a low profile.[452] However, the US concluded that several Palestinian groups continued to conduct activities in Damascus and that Syria had failed to act against these groups.[453] Syria also seemed to have been involved in the negotiation of a ceasefire by Hamas and Islamic Jihad in July 2003. Then again, Syria was accused of disrupting ceasefire talks in December 2003, and of providing material support for a terrorist attack in Jerusalem in January 2004.[454] Similar suspicions of the involvement of an Islamic Jihad cell in Damascus arose in relation to a terrorist attack in Tel Aviv in February 2005, for example.[455] Although the duality of Syrian foreign policy behaviour is evident, the modest moves detailed above reflected Syria's need to show compliance to the US.

Although Syria objected to the US war in Iraq and was accused of engaging in some confrontational activities, there were also overtures to accept the US hegemony and role in Iraq. After direct negotiations between the US secretary of the state, Colin Powell, and President Asad in Damascus, Syria promised to comply by improving surveillance of its borders with Iraq, but according to the Americans, Syria complied only partially.[456] Some tightening of border controls also took place.[457]

Syria also partially complied with demands relating to constraining Hizbollah after the Iraq war and also complied with the demand on military withdrawal from Lebanon. Regarding Hizbollah, it is perhaps most notable that Syria did not push Hizbollah to attack Israel after the Israeli missile

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[451] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 56, 58. "Interview of Bashar al-Asad". *Al-Sharq al-Awsat,* 19. January 2004.
[452] *Syria under Bashar (I): Foreign Policy Challenges*, p. 9.
[453] United States Department of State. *Syria's Progress in Meeting the Conditions Contained in the Syria Accountability and Lebanese Sovereignty Restoration Act of 2003; June 14*, 2004, pursuant to Sec. 6 of the Syria Accountability and Lebanese Sovereignty Restoration Act, 2003. Report to the Congress, 12. June 2004. *Syria under Bashar (I): Foreign Policy Challenges*, p. 9.

[454] *Syria under Bashar (I): Foreign Policy Challenges*, p. 9.
[455] *Syria After Lebanon, Lebanon After Syria*, p. 6.
[456] Interview with an American researcher, Washington D.C, 29. March 2006.
[457] Robbins, Carla Anne and Jaffe, Greg. "US Sees Efforts by Syria to Control Borders with Iraq." *Wall Street Journal,* 10. December 2004. *Syria under Bashar (I): Foreign Policy Challenges.*, p. 18.

strike on Syria in October 2003, and that the general calm at the border prevailed for several years. According to some reports, Syria also hindered some arms shipments by Iran to Hizbollah.[458] The most important act of compliance was, nonetheless, the withdrawal from Lebanon. Syria withdrew first some 1,000 of its 18,000-strong troops from Lebanon in mid-2003.[459] In September 2004, the number of troops was reduced to 14,000. When the pressure on Syria increased after the murder of Hariri February 2005, Syria started to withdraw all the remaining troops in March.[460]

Peace overtures

In the long term, a peace agreement with Israel was the only option for Syria to end its contradictory foreign policy position that caused it significant security threats and halted its economic development including its ability to extract from the external fiscal environment as a result of its political isolation and the military instability on its borders. With a peace agreement, Syria would theoretically gain Golan, Western alliance and large economic benefits in return for ending its confrontational policies. It is argued that urgency to reach a peace agreement with Israel rose with the increase in political pressure and approaching deadline for the end of fuel export revenues. To prove the point, the suggestions for peace by Damascus were not only directed at Israel, but they have been viewed primarily as a strategy to send positive signals to Washington.[461] The unofficial peace negotiations that were conducted from the summer of 2004 between Syria and Israel stand as a proof of this sense of urgency. The need for peace for regime security is best captured in the words of Syrian negotiators to an international mediator: "He said the Syrians told him that in a few years, they would lose their oil sources and need significant amounts of foreign currency to purchase energy from external sources. The Alawite regime realizes, the European mediator said, that in order to survive, it has to bring

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[458] *Syria under Bashar (I): Foreign Policy Challenges*, p. 13.
[459] Ibid, p. 14.
[460] *Syria After Lebanon, Lebanon After Syria*, pp. 8, 16.
[461] *Syria under Bashar (I): Foreign Policy Challenges*, p. 11.

foreign currency into Syria, and that no sane businessman would invest his fortune in a country that is not at peace with its neighbours."[462]

If one analyzes Syrian behaviour towards Israel from 2004, one can easily see how keen Syria became about starting official negotiations. President Bashar seems to have done all he could to show Israel that he wanted to talk. President Asad urged Israel publicly to start negotiations without preconditions in December 2003,[463] and reports of unofficial negotiations were leaked to the public in 2006.[464] According to the Israeli unofficial negotiator, Bashar had asked Turkey to mediate between the countries and to send a message to Israel on Syrian willingness to negotiate in January 2004. Unofficial negotiations followed in Turkey and in Europe, but Israel was reluctant to make them official. Syria, on the other hand, wanted official negotiations and a Syrian negotiator, as well as the unnamed European mediator, met with high-level Syrian officials, including Vice President Shara and Foreign Minister Muallem.[465] The author was also informed indirectly in December 2004 that Syria sought to push the negotiations further, and that Syrian counterparts had a direct mandate from the president, which was not the case on the Israeli side.[466] According to reports, Syria was ready to include Hizbollah, Hamas and Iran in the agenda, and demanded US presence in the negotiations. This signals Syrian interest in negotiating its entire regional position. The Israeli reluctance to continue negotiations seems to have also halted that peace track. Syria also demanded US presence in negotiations, which was unlikely. The unofficial debates ended in summer 2006 as Israel was reluctant to continue negotiations

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[462] Eldar, Akiva. "Background: From Turkey via Europe, to Damascus." *Haaretz*, 16. January 2007.
[463] *Syria under Bashar (I): Foreign Policy Challenges*, p. 10. "Interview with Bashar". *New York Times*, 1. February 2003.
[464] A former Israeli diplomat says secret talks were held with rival Syria between 2004 and 2006. "Syrians and Israelis 'Held Talks". *BBC*, 16. January 2007.
[465] Eldar, Akiva. "Background: From Turkey via Europe, to Damascus". *Haaretz*, 16. January 2007.
[466] Unofficial conversation with a Syrian unofficial negotiator, Damascus, 6. December 2004.

officially.[467] Again, as a sign of Syrian interest, public quests for reopening peace talks increased again in late 2006 after the Lebanon war.[468]

Engagement with the EU

Perhaps the clearest signal of Syria's need to strengthen their Western alliance was the new interest in closer relations with the EU from 2000. Although other southern Euromed countries had engaged in the association agreement negotiations with the EU from 1995, Syria had shown little interest in this before, despite the fact that negotiations had started in 1998. This changed as of the year 2000. Bashar made significant trade promotion trips to European capitals in his first years in office and solved debt problems with France and Germany.[469] More importantly, Syria started to negotiate an association agreement with the EU in 2002. The negotiations advanced a great deal and despite a short pause related to controversy over a WMD clause in the agreement, the negotiations were finalized in October 2004. Now the formal agreement only lacked ratification.[470]

The main rationale for enhancing these relations has been analyzed as being economic.[471] With the declining revenues in sight, Syria was interested in the EU in order to boost trade, investment and gain aid assigned to the structural reform programs in the association agreement. The EU indeed committed itself to strengthen its Syria relations especially in the field of trade.[472] The EU cooperation also brought tools and funding for the modernization of the Syrian economy, something that Syria would have had to engage in regardless. The EU provided a safe and profitable way to pursue structural change in the economy, especially when it looked as if

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[467] Eldar, Akiva. "Background: From Turkey via Europe, to Damascus". *Haaretz*, 16. January 2007.
[468] Simpson, John. "Syrian President's Patient Wait for Peace." *BBC*, 9. October 2006.
[469] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 44-45.
[470] European Commission. *EU and Syria Mark End of Negotiations for an Association Agreement*. Brussels, 19. October 2004.
[471] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change* , p. 44.
[472] European Commission. *Euro-Med Partnership. Syria. Country Strategy Paper 2002-2006 & National Indicative Programme 2002-2004*. Brussels, 11. March 2003.

Syria would still be able to secure some of its production from European products through tariffs and maintain the large public sector without major privatization, despite the fact that eventually EU open entry to Syrian markets and privatization were an EU demand.[473]

The political rationale was to ally with a Western partner to dilute the pressure from the US. Indeed, the EU strategy of engagement with Syria was in direct contrast to the US strategy of coercion. If not before, at least after the Iraq war, the EU's Syria relations fundamentally differed from the US-Syria relations.[474] Commissioner Chris Patten said on the eve of his visit to Damascus in September 2003, "I intend to underline the message that it is urgent to speed up negotiations so that Syria, the only partner in the region that has yet to conclude an Association Agreement with us, is not left behind."[475] Also of symbolic importance was that after the Iraq war and when in need of allies, Syria attended a Euromed meeting in 2003 for the first time since the second *Intifada*. Syria hoped that the EU relations would at least ensure that Syria was not left behind in the event of a possible regional peace process, although there was a full understanding that only American goodwill would enable a deal with Israel.[476] As noted earlier, the EU began to pressure Syria on withdrawal from Lebanon progressively from the end of 2004, following a full turn to support Syrian isolation after the Hariri murder.[477] The EU considered the UN investigation report as very serious and demanded that Syria cooperate with the investigation unconditionally.[478] The EU froze the process of signing the association agreement. In addition, separate EU sanctions were also reported to have been considered.[479] Unlike the US sanctions, these sanctions would have had an effect on Syria if put forward, due to the volume of EU trade. By the

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[473] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 34-35.
[474] Leverett, *Inheriting Syria. Bashar's Trial by Fire,* p. 84.
[475] European Commission. *Christopher Patten, EU Commissioner for External Relations, to visit Syria from 15 to 16 September*, Brussels, 15 September 2003.
[476] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 45.
[477] "Syria after Lebanon, Lebanon after Syria", pp. 6-7.
[478] EU Presidency Statement on Syria (27 October 2005: London); Summary, EU Council Conclusions – Syria and Lebanon (7 November 2005: Brussels); Summary.
[479] Interview with European diplomats and researchers, December 2005.

end of 2005, Syria's road out of isolation was seriously blocked and even though the EU's basic policy approach towards Syria was different to that of the US[480], which was certainly enforced by Syria's proven interest in EU relations, there was no end in sight to intense external political pressure by 2005.

Iraqi and other oil trade

The purchasing of Iraqi oil during the UN sanctions from 2000 until the Iraq war is another example of the need to increase the fiscal capabilities of the state, even though this particular method would have been in contradiction to Syrian interests of closer Western alignment.[481] Iraqi oil was sold to Syria at low black market prices in the midst of the UN sanctions, and Syria exported it at higher prices. Syria gained external revenues from the increased ability to export fuel, while using the cheap Iraqi oil purchased illegally for domestic consumption. Syria therefore violated the UN oil-for-food program that allowed Iraq to sell oil only in a restricted manner under UN monitoring. Iraq and Syria opened a pipeline to Banias in late 2000, which Syria claimed was used only for testing purposes. An estimated 150,000 barrels of Iraqi oil was sold for Syrian domestic consumption.[482] The annual revenue for the regime is estimated to have been $1 billion, or 5% of GDP. The oil exports from Iraq continued despite pledges from the US, for example, to end it. Indeed, Colin Powell took the issue up with Bashar al-Asad while visiting Damascus in 2001.[483] To some extent, Syria compromised some of its security interests to increase its fiscal capabilities. This is demonstrative of the importance of the external economic gains.

Although there was an urgency to find other sources for external revenue for future use, the years since 2000 were indeed very good for external fiscal extraction, mainly attributable to high oil prices. The share of fuel exports of

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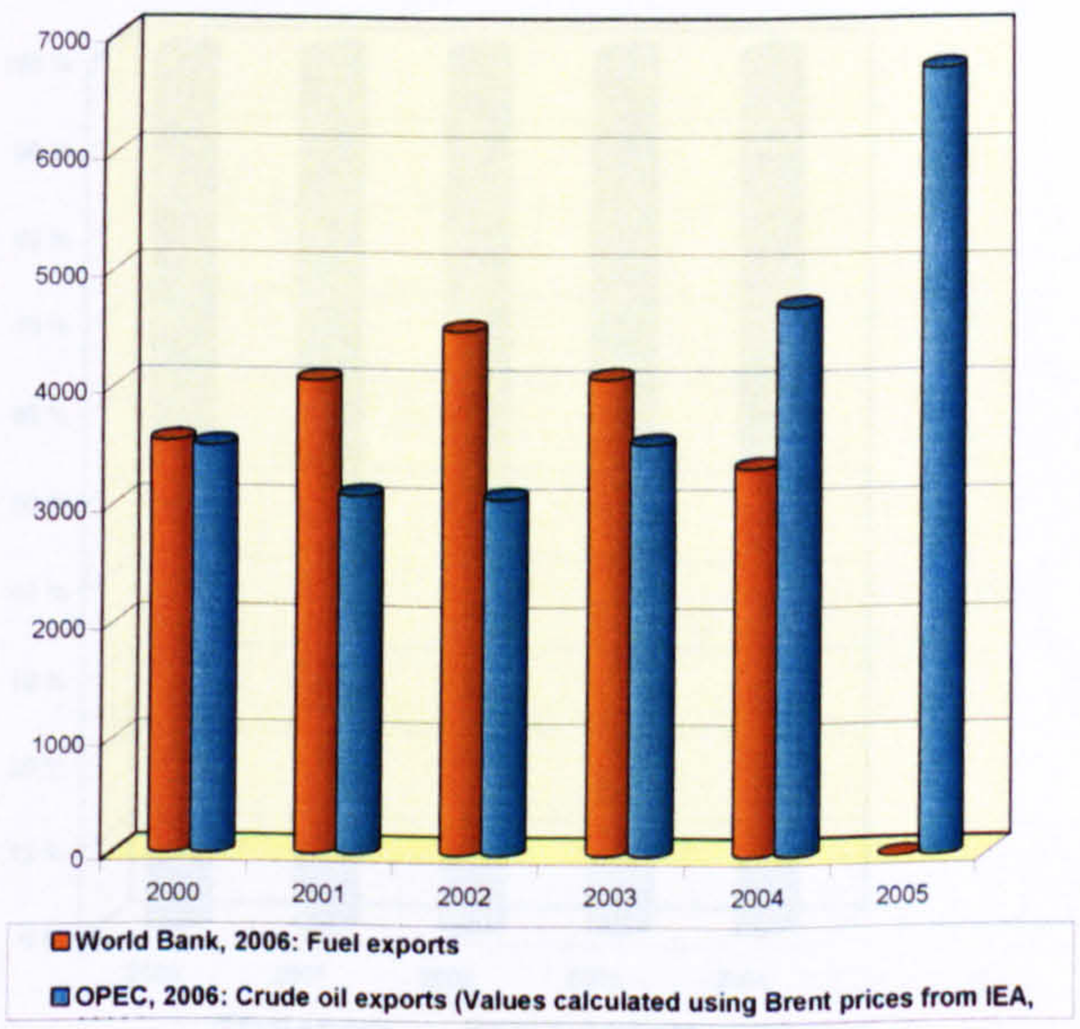
[480] An analysis by Anders Strindberg, at a seminar "Post-war Lebanon: Syria, Iran, Palestine Axis", the FIIA, Helsinki, 19. December 2006.
[481] Hinnebusch, "Globalization and Generational Change: Syrian Foreign Policy between Regional Conflict and European Partnership", pp. 91-92.
[482] Economist Intelligence Unit, Syria Country Profile 2001, p. 22 and 2002, pp. 29-30.
[483] Economist Intelligence Unit, Syria Country Profile 2003, p. 7.

Syrian total exports was around 70% and the revenue was over $3 billion , rising close to a record high of $7 billion in 2005 due to an increase in prices. Brent oil barrel prices rose from $24.46 in 2000 to $54.38 in 2005. The increase in fuel export revenues was from around $3.5 billion in 2000 and 2003, to $4.7 billion in 2004, and as high as $6.7 billion in 2005.[484] The amount of Syrian fuel exports remained very steadily the same during these years, although production declined slightly. The oil export revenues were high, but the exact figures are contested in this period however, because according to the Economist Intelligence Unit, Syrian official figures had to hide the Iraqi oil imports that started in 2000.[485] There is a big difference between the export figures from the World Bank, OPEC and Economist Intelligence Unit as the following table shows.

Table 50:[486]

S.A.R. fuel and crude oil export revenues according to different calculations in 2000-2005 (in millions USD)

Sources: World Bank, 2006; OPEC, 2006 and IEA, 2006



[484] International Energy Agency: Energy Prices and Taxes (Edition: 2006, Quarter: 2) OPEC Annual Statistical Bulletin 2005. Syria produces mainly Syrian light and Syrian heavy varieties the price of which is determined by Brent prices.
[485] Economist Intelligence Unit, Syria Country Profile 2003, pp. 33-34.
[486] World Bank values are not available for 2005.

Table 51:

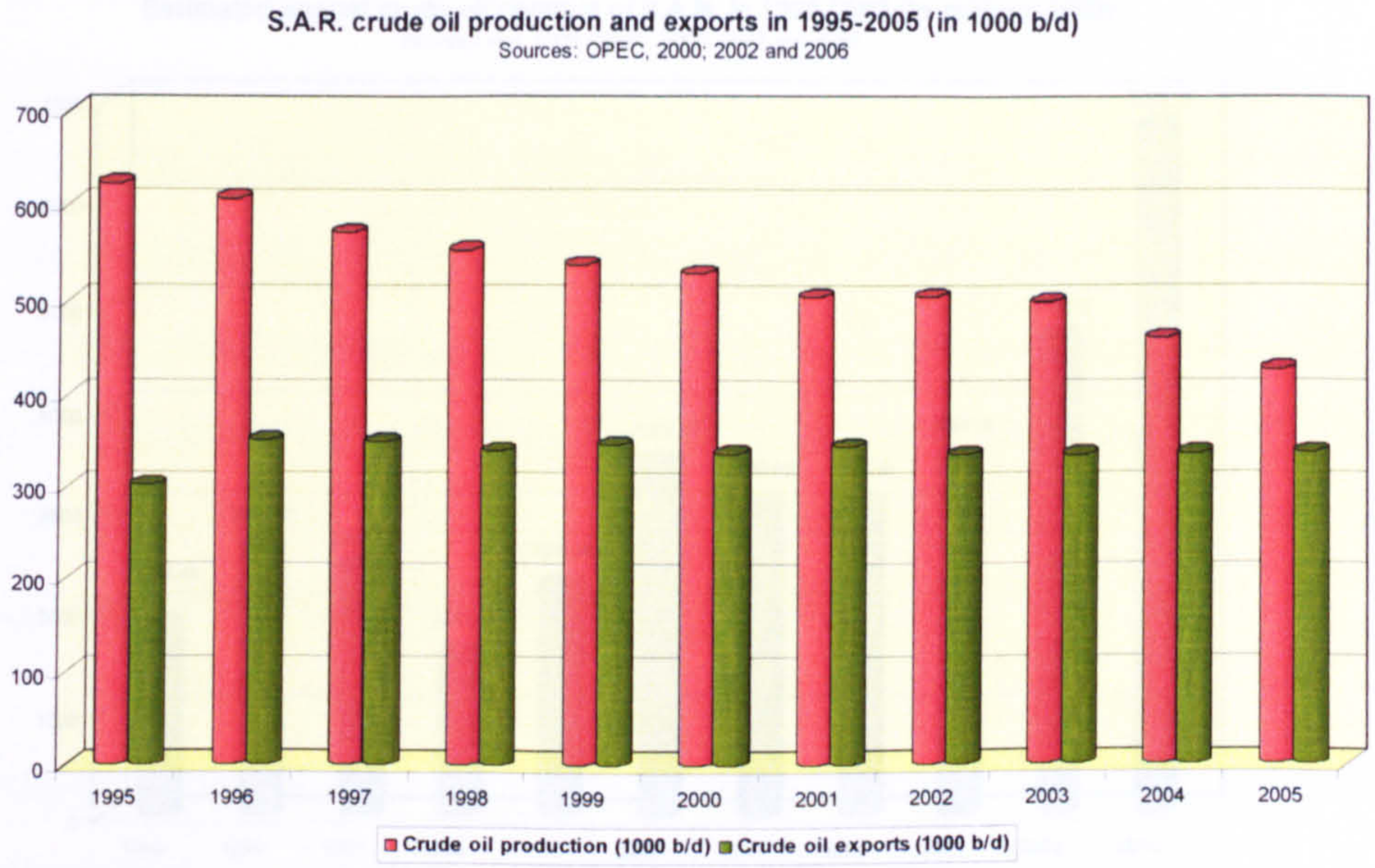


Table 52:

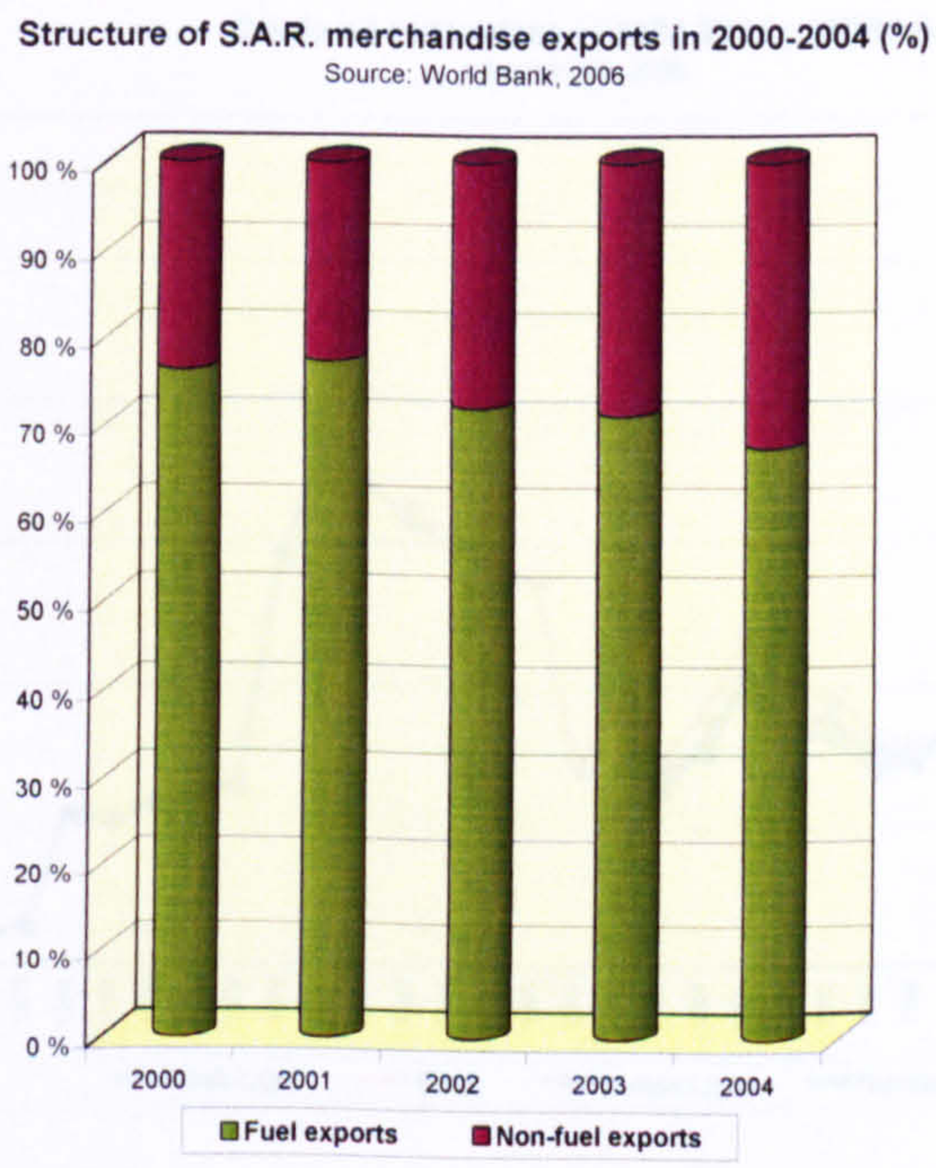


Table 53:[487]

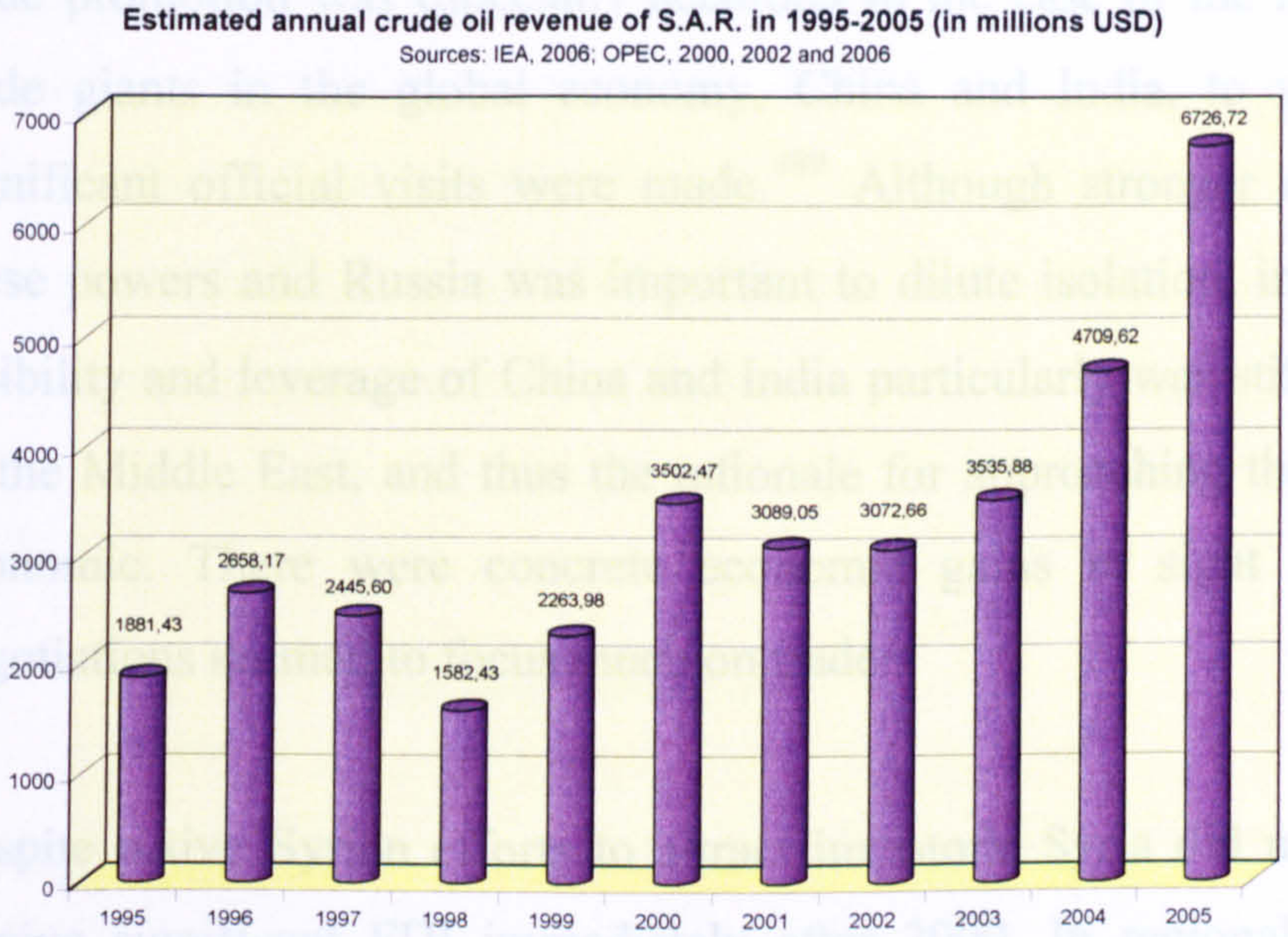
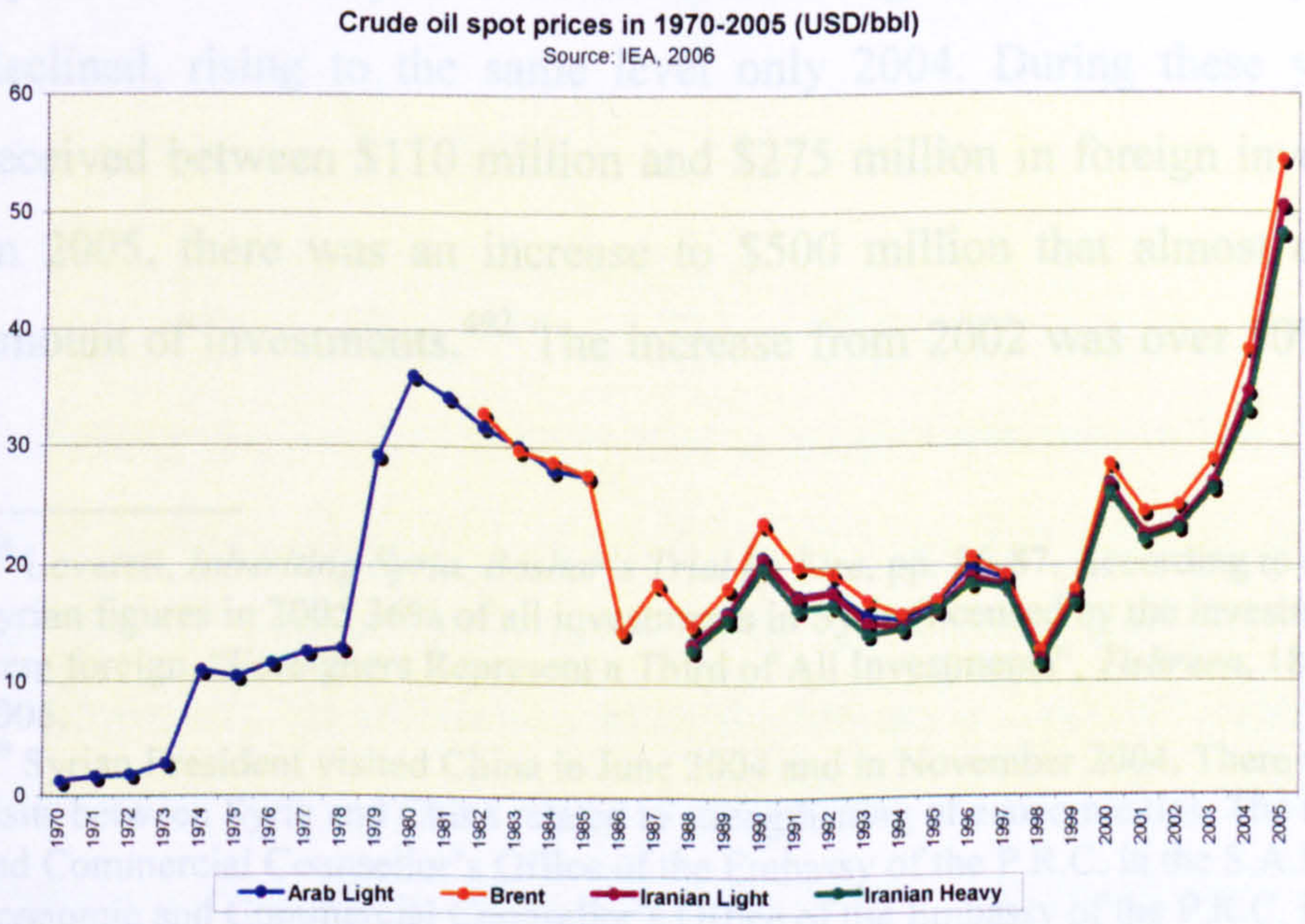


Table 54:



Attracting trade and foreign investments

Attracting foreign investments, increasing foreign trade and diversifying trade partners rose in importance in foreign policy from 2000 in order to

[487] Estimate has been calculated by using Brent barrel prices.

boost the regime's fiscal capabilities. [488] In addition to the EU, attention to trade promotion was especially accorded in the case of the new emerging trade giants in the global economy, China and India, to which several significant official visits were made.[489] Although stronger relations with these powers and Russia was important to dilute isolation, in practice, the visibility and leverage of China and India particularly was still rather small in the Middle East, and thus the rationale for approaching them was more economic. There were concrete economic gains in sight and also the negotiations seemed to focus much on trade.

Despite active Syrian efforts to attract investors, Syria did not manage to receive significant FDI immediately after 2000. In regional comparison, Syria still belonged to the lower category as a recipient of FDI flows. For example, Egypt, Tunisia, Algeria and Morocco received generally more than Syria.[490] From the year 2000 onwards, foreign investments to Syria actually declined, rising to the same level only 2004. During these years, Syria received between $110 million and $275 million in foreign investments.[491] In 2005, there was an increase to $500 million that almost doubled the amount of investments.[492] The increase from 2002 was over 50% annually,

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[488] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, pp. 86-87. According to official Syrian figures in 2005 36% of all investments in Syria (licensed by the investment Bureau) were foreign. "Foreigners Represent a Third of All Investments", *Tishreen*, 18. March 2006.

[489] Syrian President visited China in June 2004 and in November 2004. There were several visits between Syria and China related to strengthening of economic ties. The Economic and Commercial Counsellor's Office of the Embassy of the P.R.C. in the S.A.R. and the Economic and Commercial Counsellor's Office of the Embassy of the P.R.C. in the S.A.R. Brief Introduction of China-Syria Trade and Economic Cooperation, 28. November 2004. Dr. Farouk al-Shara, Deputy Prime Minister and Foreign Minister of Syrian Arab Republic paid an official visit to India on August 12-14, 2002. External Affairs Minister of India paid an official visit to Syria in August 1-4, 2003, Indian Prime Minister made a 3-day state visit to Syria beginning on November 14 2003 and Indian Minister of State for External Affairs made a three day visit (September 26-28. 2005) to Syria. Government of India. Ministry of External Affairs. Press Releases.

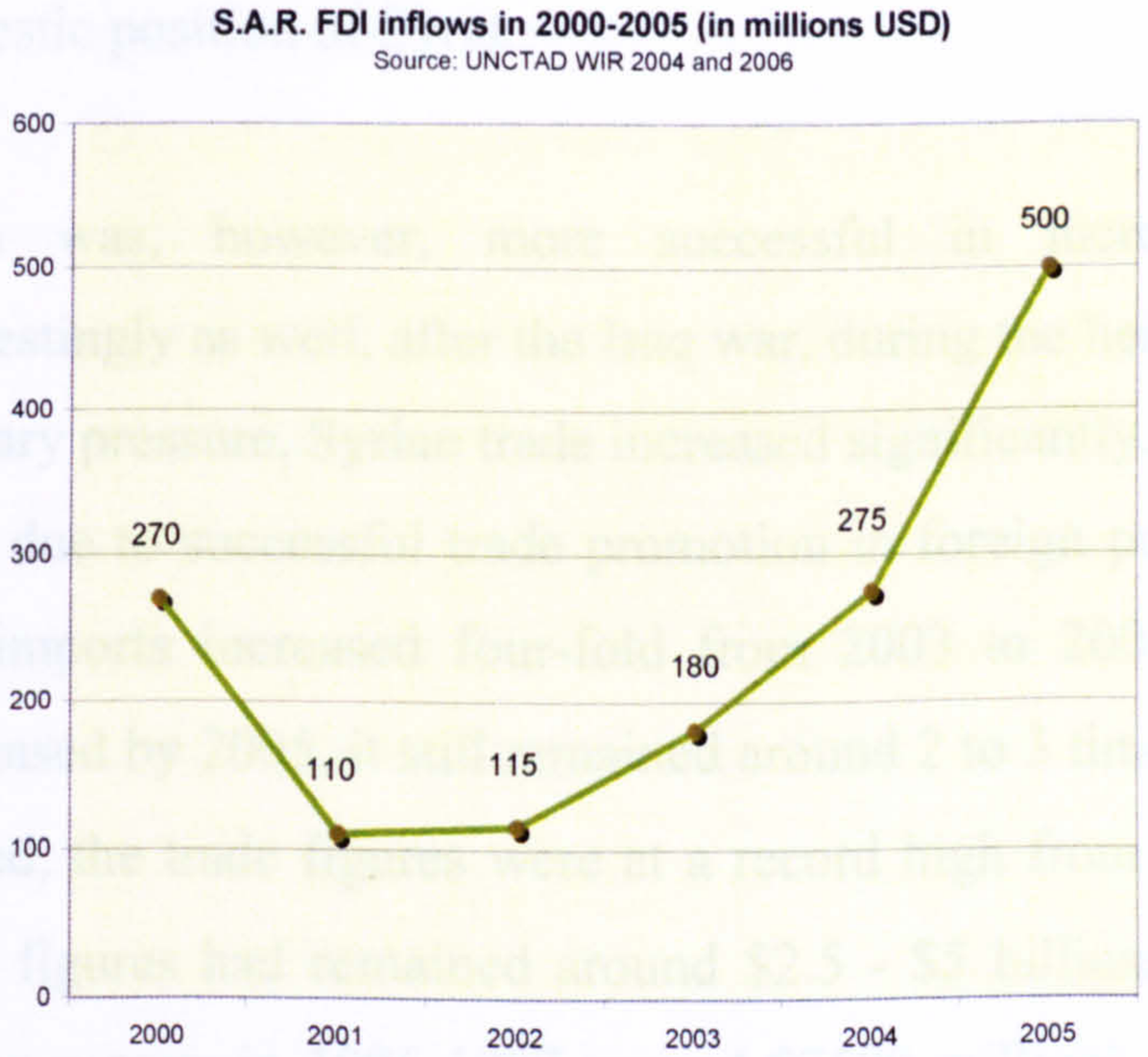
[490] Arab Human Development Report, United Nations Development Programme 2003. The figures used by United Nations Development Programme are based on figures by United Nations Conference on Trade and Development 2002.

[491] United Nations Conference on Trade and Development, World Investment Report 2004-2006.

[492] According to different sources the rise was estimated to be even higher. In 2005 however the annual rise in Syrian investment has been estimated to be 291%. "IAIGC reports indicate significant rise in Arab investments in 2005", *The Syria Report*, 5. September 2006.

but from 2004 to 2005 the increase was a significant 81.8%.[493] The increase of FDI to other Arab countries was far more significant, however. The FDI increased to all Arab states in 2004 and 2005. For example, Egypt received $237 million in 2003 and $5,376 billion in 2005. In 2005, Syria belonged to the lower middle level of FDI receivers, and received now far less in absolute terms than most others.[494]

Table 55:



Reflecting the promotion of Syrian economic interests in the Gulf region, the investments came particularly from the Gulf. For example, in 2005 Syria was the 4th largest recipient of Arab investment with $61.1 million in investments.[495] In addition to an active foreign policy, this increase in Arab investments seems to have been due to more attractive Syrian markets. The promotion of an image of a growing economy succeeded well, considering Syria's isolated position in the region. Particularly the rise of investments in 2005 is noticeable, notably because during that year, Syria experienced its most extreme isolation after the Hariri murder. Syrian regime stability was also considered to be weaker, in contrast to a previously very stable political climate. Of course these investments could have had some political logic to

[493] United Nations Conference on Trade and Development, World Investment Report 2004 and 2006.
[494] United Nations Conference on Trade and Development, World Investment Report 2006.
[495] "IAIGC reports indicate significant rise in Arab investments in 2005", 5. September 2006, "Arab Investments in Syria at USD 61.1 Million", *The Syria Report*, 16. June 2005.

keep Syria politically stable, to support the regime and to keep Syria closer to the Arab countries in times when Syria seemed to be drawn closer to Iranian influence. However, there is no evidence of this political background. According to one Gulf based investor, the investments were mainly private and therefore they can be assumed to have been purely economically motivated, possibly a result of the materialization of long planned projects due to changes in Syria's domestic economic climate.[496] Interestingly, the investors were not perturbed by the weaker regional and domestic position of Syria.

Syria was, however, more successful in increasing foreign trade. Interestingly as well, after the Iraq war, during the height of the political and military pressure, Syrian trade increased significantly. This is argued to have been due to successful trade promotion in foreign policy. Both the exports and imports increased four-fold from 2003 to 2004. Although the trade decreased by 2005, it still remained around 2 to 3 times higher than in 2003. Indeed, the trade figures were at a record high from 2003. Since 1990, the trade figures had remained around $2.5 - $5 billion(with the exception of higher exports in 1996-1997 around $7500 million). Data used here by the International Monetary Fund show a sharp increase in both exports and imports in 2004-2005. According to the International Monetary Fund, Syrian exports increased from around 6,000 to over 23,000, falling to $14,000 million. Imports were even higher, at over $26,000 million in 2004 and $20,000 million in 2005, increasing from over $8,000 million. There is a slight difference in data in an updated International Monetary Fund version. However, the data by the World Trade Organization does not show any such increase. In both 2004 and 2005, exports were a little over $5,000 and imports $7,000 and $8,000 million.[497] There is no explanation for the difference in figures. It is not possible to verify which figures are more

[496] Phone interview with a Gulf based businessman of Syrian origin, 3. November 2006.
[497] The International Monetary Fund figures presented are from International Monetary Fund, Direction of Trade Statistics, September 2006 edition. International Monetary Fund November 2006 figures differ and they are midway to WTO figures in 2005. The November edition corrects the latest 2005 export figure to around 10 000 million of US dollars and the imports to around 15 000 US dollars. The World Trade Organization figures are from World Trade Organization, Statistical Data Sets 2006, measured in USD current prizes.

reliable. According to both sources, however, there was a clear increase. This increase is very significant, because this was immediately after the Iraq war and during the most intense political isolation. It indicates that the political isolation and deteriorating regional position for Syria did not affect trade. This can be due to the high oil prices that increased exports and allowed Syria to import. Increase in trade with Iraq could also explain some of the increase.

The politics of pressure were also reflected in the direction of trade. The EU was by far the most important trade partner. Since the Iraq war, Syria however diversified its trade partners, which is apparent in both import and export tables from 2004. From 2000, Syria had enhanced its relations with Europe and China in particular.[498] The EU trade dropped and exports to Iraq especially increased significantly. Trade also increased with the Persian Gulf and Turkey. Imports from Lebanon, Iran and Egypt also increased somewhat, and new trading partners Brazil and Argentina emerged in the import sector.

[498] Since 2000 official visits between Syria and China increased. In August 2000 Mr. Sun Guangxiang, Chinese deputy minister of foreign trade visited Syria. In October the Syrian vice premier Naji Otri visited China with a governmental delegation formed by the ministers of industry, house-building, planning, and higher-education. In January 2001, Chinese vice chairman Hu Jintao made his visit to Syria. In March 2003, the delegation of China State Revenue Bureau signed an Agreement on Exception of Double tariff with Syrian Finance Ministry. The Economic and Commercial Counsellor's Office of the Embassy of the P.R.C. in the S.A.R. Brief Introduction of China-Syria Trade and Economic Cooperation, 28. November 2004.

Table 56:

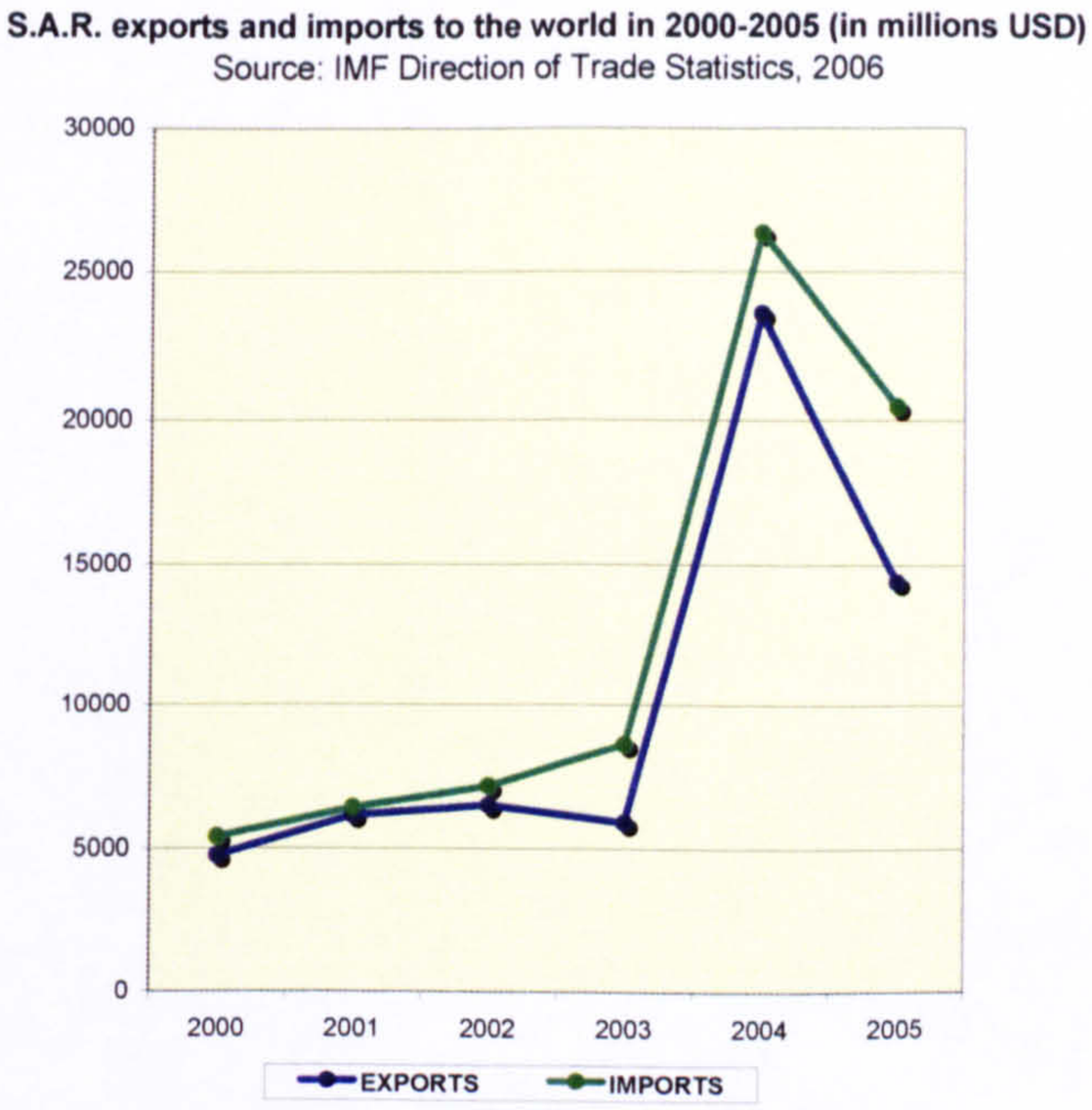
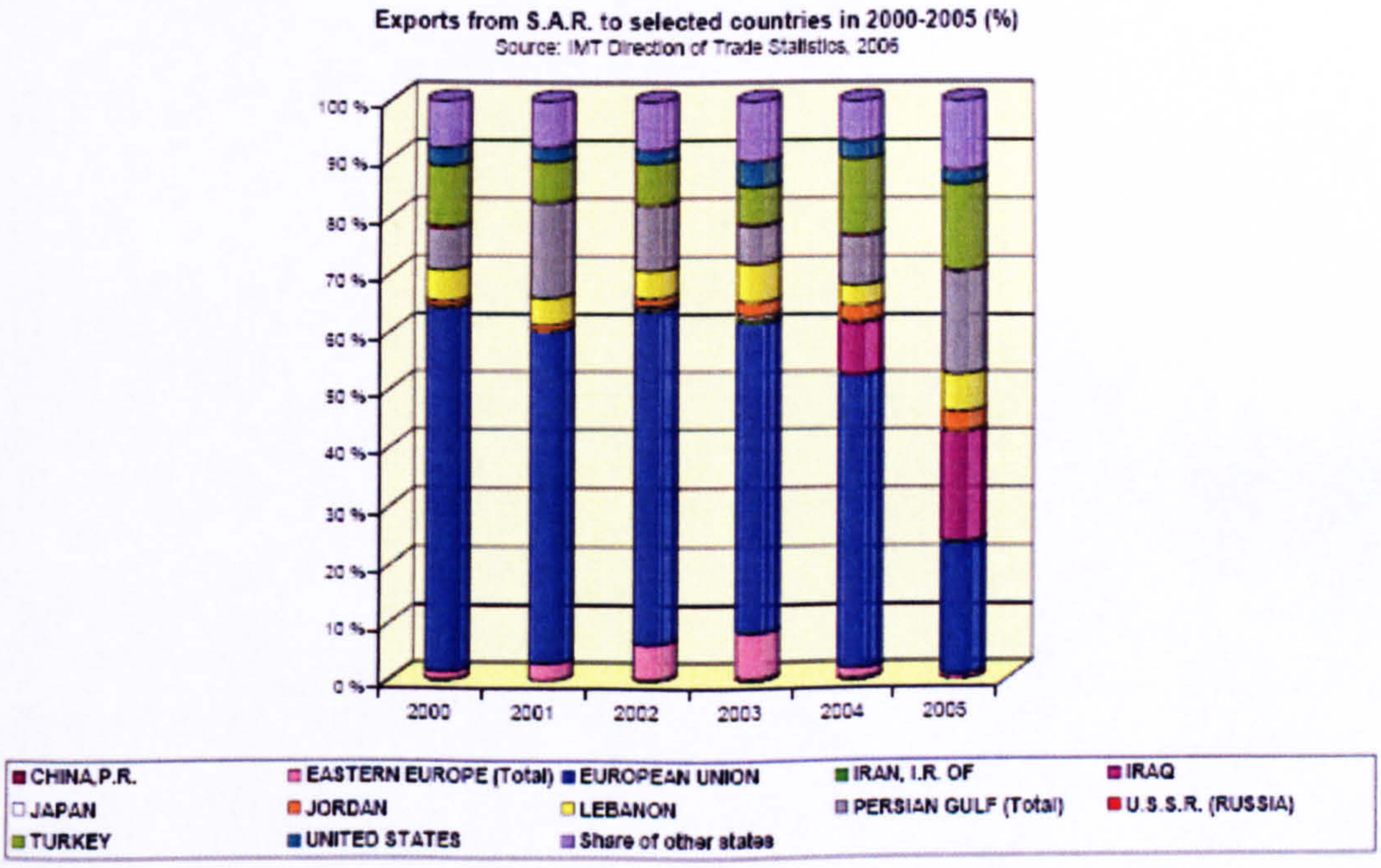


Table 57:



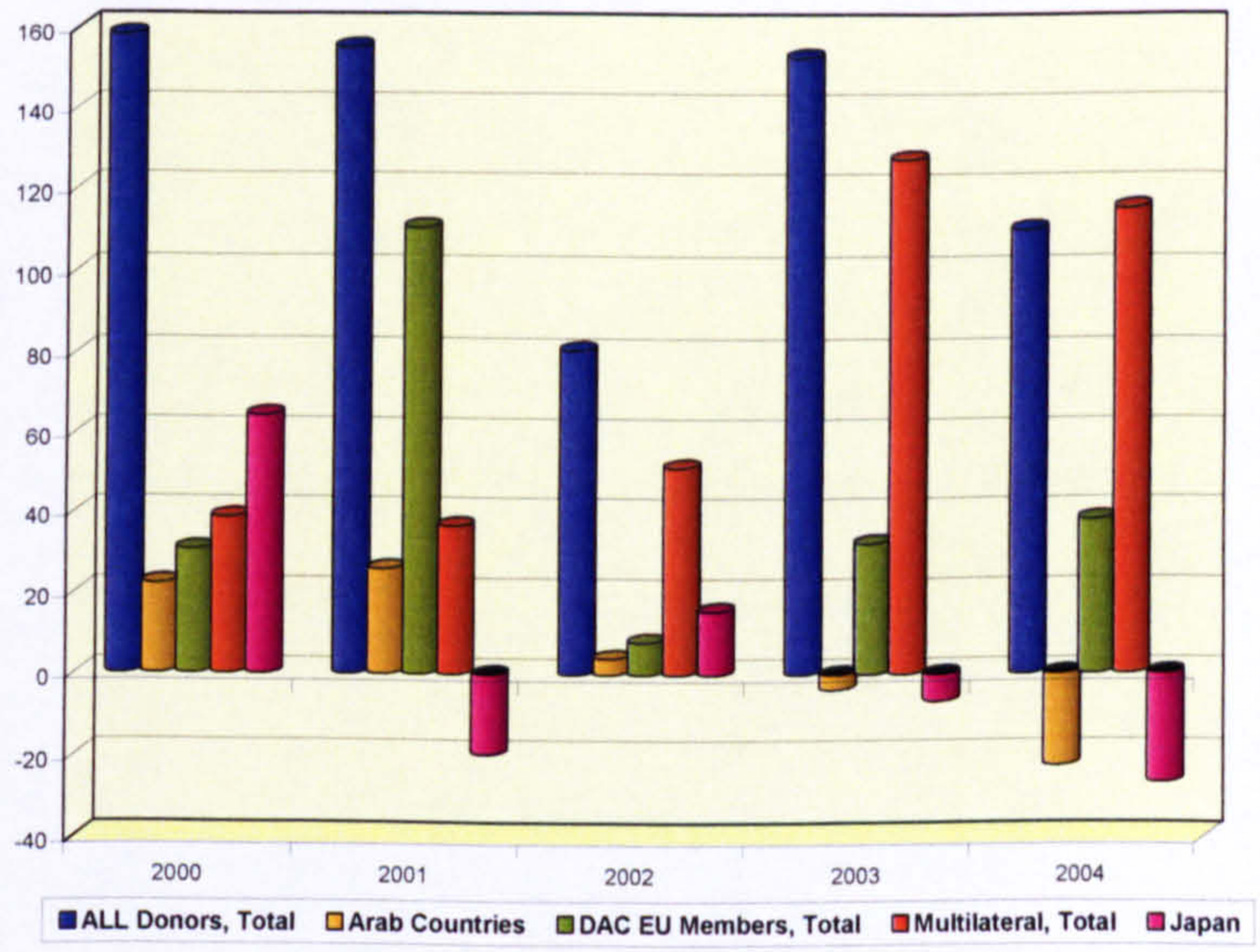
Reflecting its isolated regional position, Syria did not manage to obtain significant aid. Aid after 2000 was of very small importance to Syria compared to aid in 1990-1999 or even more so in 1970-1989. The average amount of aid since 2000 was close to three times smaller than the average amount of aid 1990-1999 and around five times smaller than in 1970-1989.[499] The aid from Arab countries was minimal. The aid from EU

[499] The average annual ODA for 2000-2004 was 131,59 million US dollars, whereas the same figure for years 1990-1999 was 342,42 million of US dollars and for years 1970-1989

countries rose temporarily somewhat in 2001, marking the start of the association talks, but declined thereafter. The largest donors since 2002 were the multilateral donors.

Table 58:

Total net ODA (OA) to S.A.R. in 2000-2004, in millions USD
Source: OECD/DAC 2006



To conclude, the first mentioned policies, compliance to some US demands, peace overtures and EU engagement all stand as examples of a need to strengthen ties with the Western powers and reach a more comfortable foreign policy position. In the end, despite overtures of compliance and the withdrawal from Lebanon, Syria was not successful in diluting military pressure or ending its political isolation by the end of 2005. Quite the contrary, Syria was perhaps never so threatened. Even the most important act of compliance, the Syrian military withdrawal, did not dilute the pressure. By the time of the Hariri murder, the threat was more and more directed towards the regime.

The policy of the new president from 2000 was to increase external and domestic resource extraction and boost the fiscal capabilities of the state. The examples related to EU engagement, Iraqi oil trade and the increasing importance of trade and investment promotion show how the economic

672,77 million of dollars. Organization for Economic Cooperation and Development, Development Assistance Committee. International Development Statistics (2006).

security of the regime became more important in foreign policy and how Syria was indeed able to extract significant revenues from the external fiscal environment.

In the end, the economic environment was not so pressing for Syria, mainly due to the record high oil prices since 2004, trade that also increased from 2003 and foreign investments that increased in 2005. On the contrary, the economic gains from the external environment seemed to be better than for years. This provides a powerful explanation as to why Syria was able to dilute the external military and political pressure from outside. Although for the first time there were questions related to the stability of the regime due to the pressure from the external security and fiscal environment and domestic intra-elite conflict, as chapter 5.3 shows, the fiscal capabilities helped the state to maintain its autonomy, efficiency and legitimacy. The following chapter will study how these external revenues added to the fiscal capabilities and rentier nature of Syria.

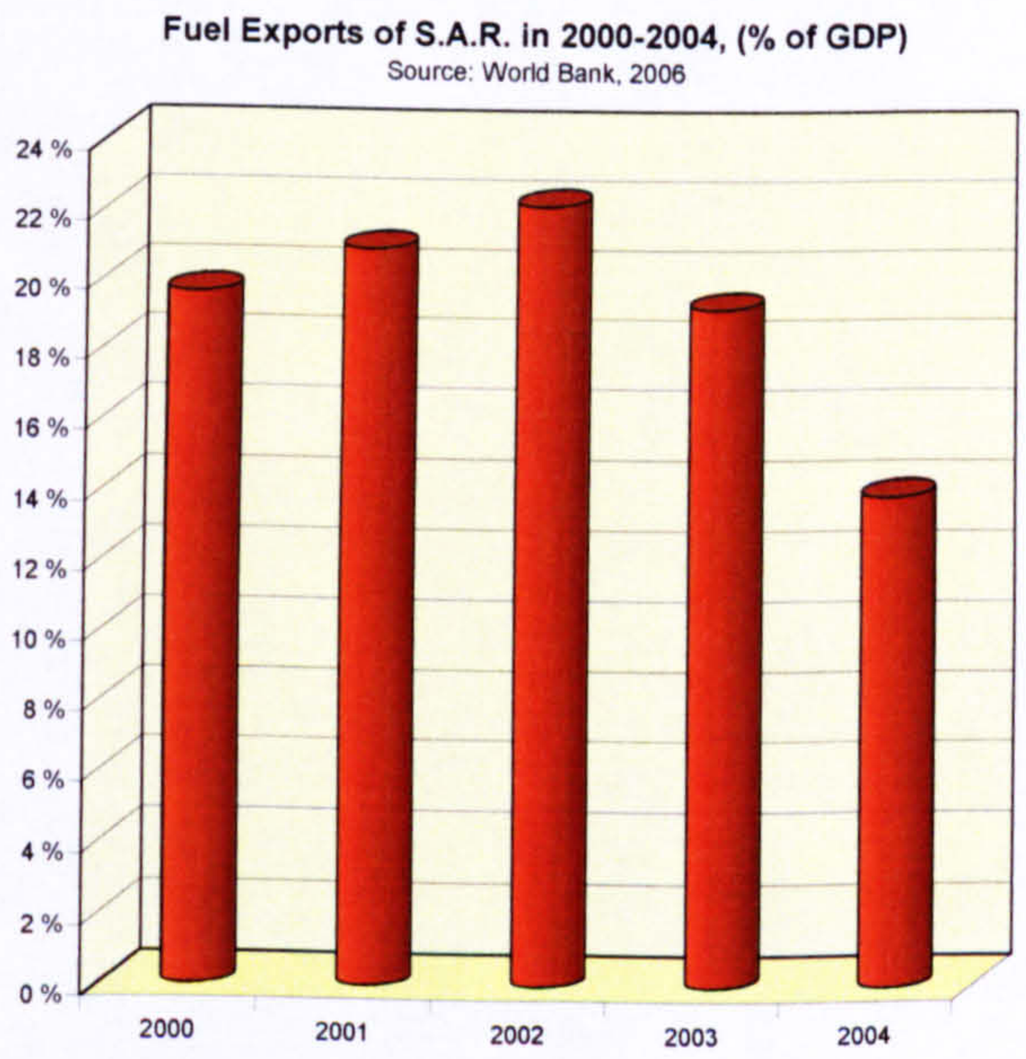
5.2 External resource extraction and state power

This chapter aims to evaluate how the external resource extraction affected regime autonomy 2000-2005. I will view how the increased fuel revenues played into the overall fiscal powers of the state and see what means the successful external revenue extraction gave for maintaining the state's fiscal capabilities and rentier nature. I will place this in the context of the regime's economic strategies and try to explain why the regime resorted to intense domestic revenue extraction, and economic liberalization that was deep enough in spirit to lead to structural adjustment rather than a minor adaptation. I will review the new economic policies and consider how the new strategies affected state power, its fiscal autonomy, efficiency and legitimacy.

Level of rentierism

The following tables provide data on Syrian external revenues from 2000 to 2004. The first table includes fuel exports income as a percentage of GDP, and the second includes aid as a percentage of GDP. The worker remittance data as a percentage of GDP is presented in the third table.[500]

Table 59:



[500] Due to different editions of World Bank's World Development Indicators used as source for workers' remittances values, there are differences between the percentages in the table (Edition: April 2006) and the percentages used in the text (Edition: September 2005).

Table 60:

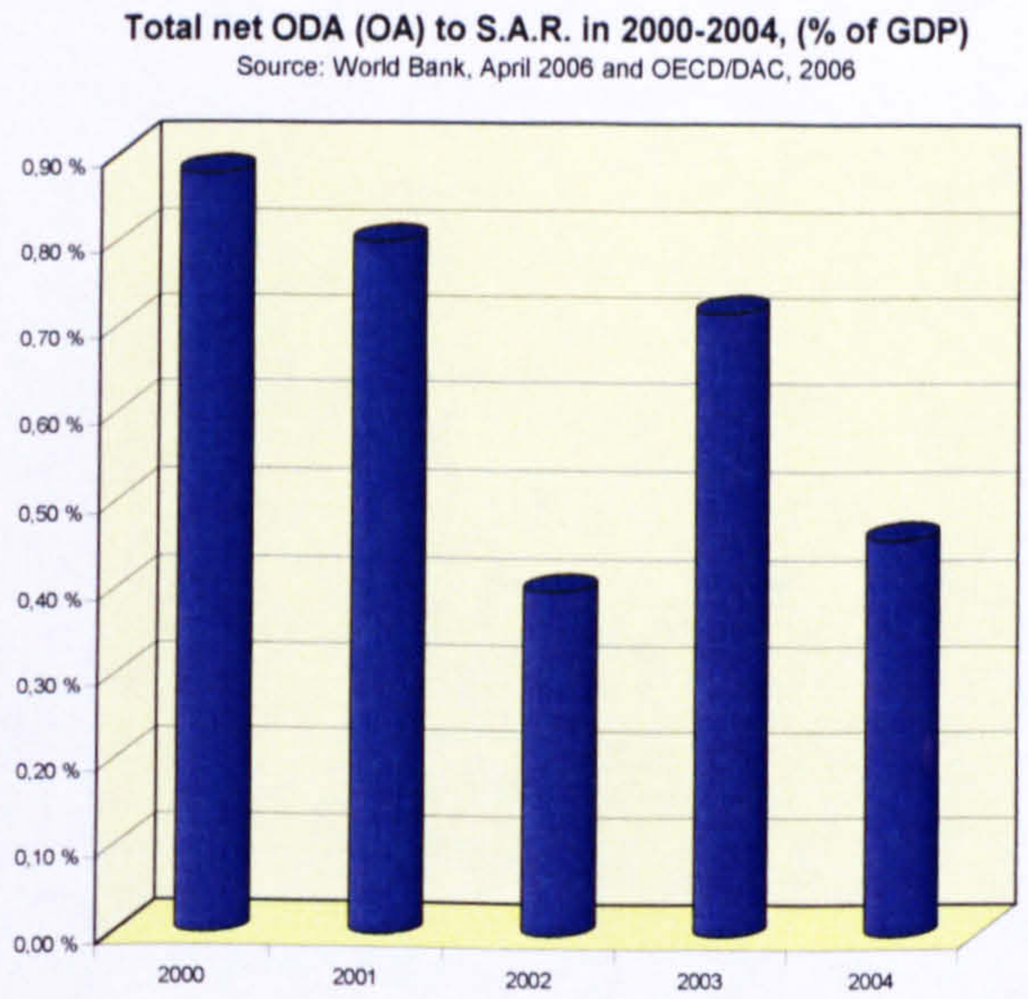
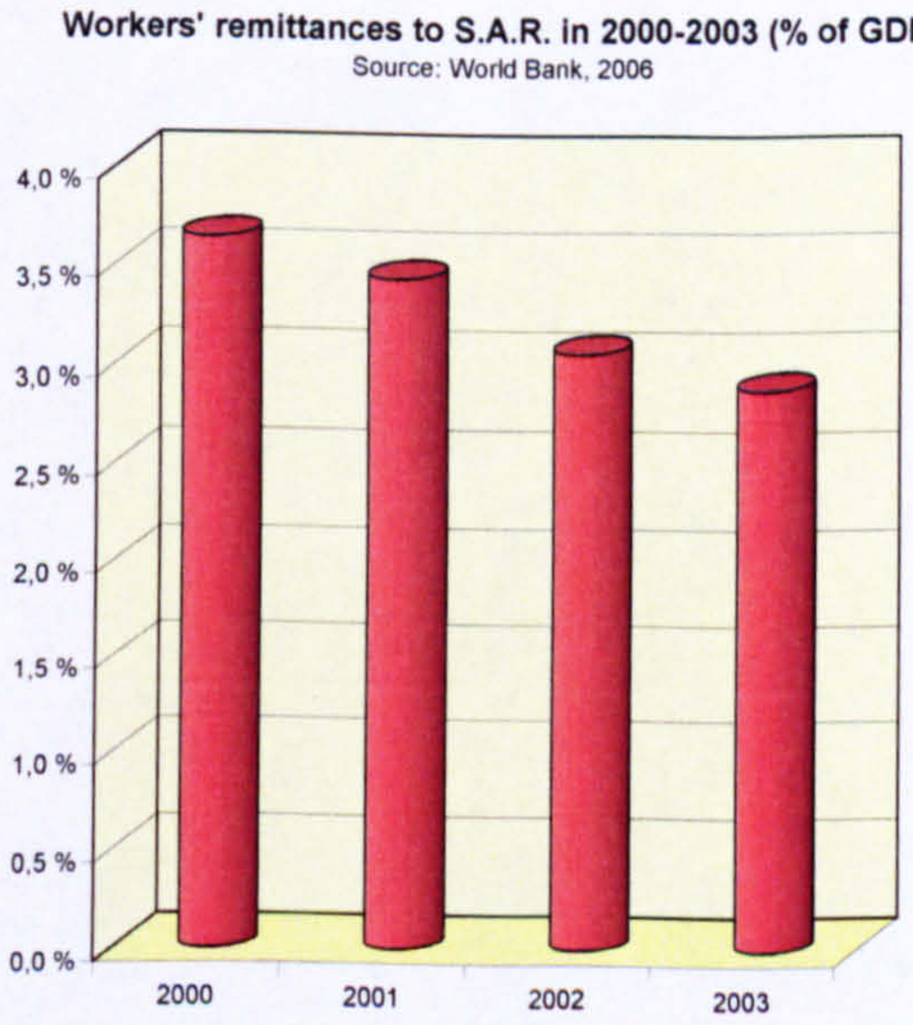


Table 61:



The first conclusion is that as a result of the illegal Iraqi oil import and high oil prices after the war in Iraq, the fuel export income was by far the main source of external revenue at the beginning of 2000. On average, the annual revenues from fuel exports were 19.2% of GDP, varying between 13.9% and 22.2% of GDP. This means that there was an increase of almost 6% of GDP since the 1990s. These figures are again a little higher compared to the

figures by Perthes, according to whom more than 12% of GDP consisted of fuel export income, 60-70% of exports and 50% of government revenues.[501] However, the figures presented here seem to match with the estimations of Leverett. According to him, the oil revenues were 20% of GDP, 50% of government revenue and 75% of all exports.[502] There are insufficient figures available to verify how much these fuel export revenues constituted of the overall revenues of the state, but according to the Syrian Minister of Finance Khaled Al-Mahayni, oil revenues were expected to be 50.2% of expected state revenues for the year 2002.[503]

The effect of the Iraqi oil imports is noticeable in the figures from 2000-2003. Syria exported oil that it had imported from Iraq by violating the UN oil-for-food program. The pipeline was opened in late 2000. Daily, around 150,000 barrels of Iraqi oil were sold for Syrian domestic consumption, which again enabled Syria to export around the same amount of its own oil.[504] The estimated price according to Economist Intelligence Unit was $10 per barrel, which would have meant oil worth around $550 million of imports from Iraq in 2001 and 2002. Based on this, the import would have been an estimated $91 million during the first three months of 2003 until the US invasion of Iraq.[505] If around the same number of barrels was added to Syrian exports, a very rough estimation would be that Syria gained an additional 1.3 billion from fuel exports in 2001 and 2002 and 0.2 billion in 2003.[506] This would have lifted the fuel export revenue to around 7% of GDP in 2001 and 2002 and 1.2% in 2003. However, the real gain after the reduction of the price paid to Iraq was around $800 million in 2001 and 2002 and $170 million in 2003, equalling around 4% of GDP and 0.7% of GDP. This would mean that the impact of the Iraqi oil imports to Syrian fuel

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[501] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 29.
[502] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 34.
[503] Al-Mahayni, Khaled. "Oil Revenues Will Cover over 50% of Budget Income." *Syria Report*, December 2001, p. 3.
[504] Economist Intelligence Unit. Syria. Country Profile 2002, pp. 29-30.
[505] Economist Intelligence Unit. Syria. Country Profile 2004, p. 40. According to Syrian Central Bureau of Statistics, the annual worth of oil imports from Iraq was 406 000 million USD.
[506] This calculation is based on Brent prizes, that gives only a very rough estimation of the prizes of Syrian fuel.

export revenues was noticeable. According to Economist Intelligence Unit, Iraqi oil was important for the Syrian state budget. The extra Iraqi oil helped to fund the budget and used new resources to boost the economy.[507] According to the International Crisis Group, some of the revenues from Iraqi oil imports were used to increase the salaries of state employees, and the trade benefited certain members of the elite, as well as Syrian foreign reserves and the budget.[508]

The high oil prices from 2003 kept the share of oil-related revenues high. The decline in oil income in these tables can be partly explained by the source for fuel export income used here.[509] In revenue, the World Bank revenues show a decline in 2004-2005, but OPEC and the International Energy Agency show an increase that would seem to match the risen prices from 2003 after the Iraq war.[510] It is possible that in reality there was no decline from 2003. This would seem logical considering the enormous rise in oil prices that substituted some of the losses of the Iraqi oil sales. According to OPEC, measured in barrels, production decreased slightly in 2004, but exports remained the same.[511] For the sake of consistency to other time periods studied, the World Bank figures are used also in this chapter to indicate the external extraction from fuel exports.

Again the oil revenues seem to be somewhat underestimated in previous research. Hinnebusch refers to them as "periodic rent windfalls" that acted as a buffer to economic crises, but sees otherwise the fall of aid and

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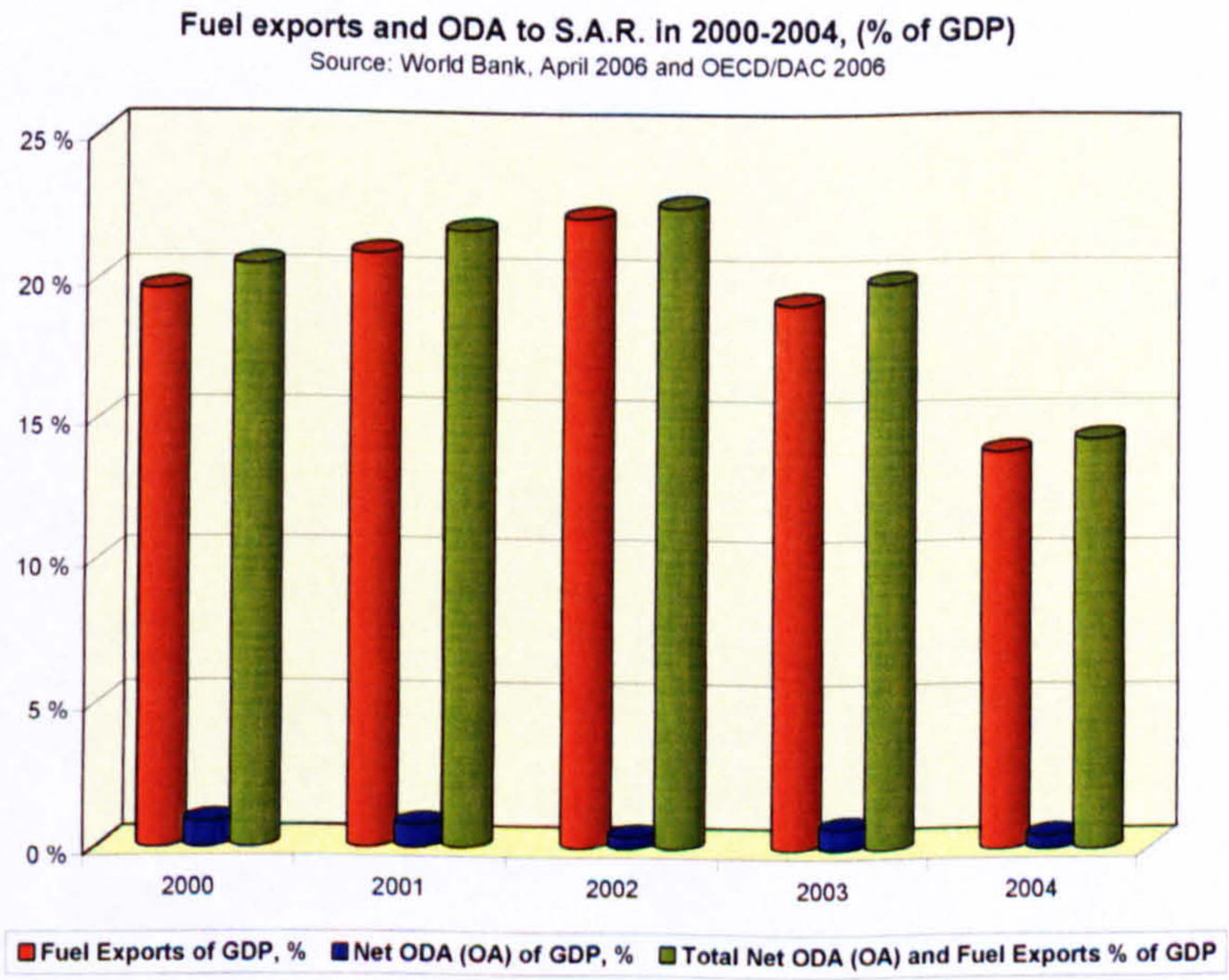
[507] Economist Intelligence Unit. Syria. Country Profile 2002, pp. 29-30.
[508] "Syria Under Bashar (I): Foreign Policy Challenges", p. 16.
[509] According to the World Bank the GDP also grew 12.8% between 2003 and 2004. Were Syria to produce Brent, the increase in revenue estimates were from 3.5 billion of USD in 2000 and in 2003 to 4.7 billion of USD in 2004 and to 6.7 billion of USD in 2005. International Energy Agency: Energy Prices and Taxes (Edition: 2006, Quarter: 2). OPEC Annual Statistical Bulletin 2005.
[510] According to the World Bank, fuel exports in 2004 was 13,9% of GDP. A rough estimation of figures by International Energy Agency and OPEC would give a figure of 19.6% for crude oil exports.
[511] According to Economist Intelligence Unit, Syria overstated the domestic oil production figures especially since 2001 in order to hide the Iraqi oil imports. Economist Intelligence Unit. Syria. Country Profile 2003, pp. 33-34.

population growth as the main reason for the fall in GDP per capita.[512] According to this research, oil revenues were relatively constant rather than periodic and clearly high in importance.

Alarming from the future point of view was the fact that the oil-related revenues were almost the sole external revenue for Syria. The aid revenue had exhausted almost completely. The aid revenue was only an average of 0.7% of GDP, varying between 0.4% and 0.9% of GDP. Regionally, this was very little, and surely reflected Syrian political isolation. Syria received a significantly small amount of aid compared to Egypt that received around a half more. Jordan received aid between 4% and 12% of GDP. The worker remittances also declined. From 2000, the worker remittances were on average an annual 3.3% of GDP, varying between 2.9% and 3.6%.

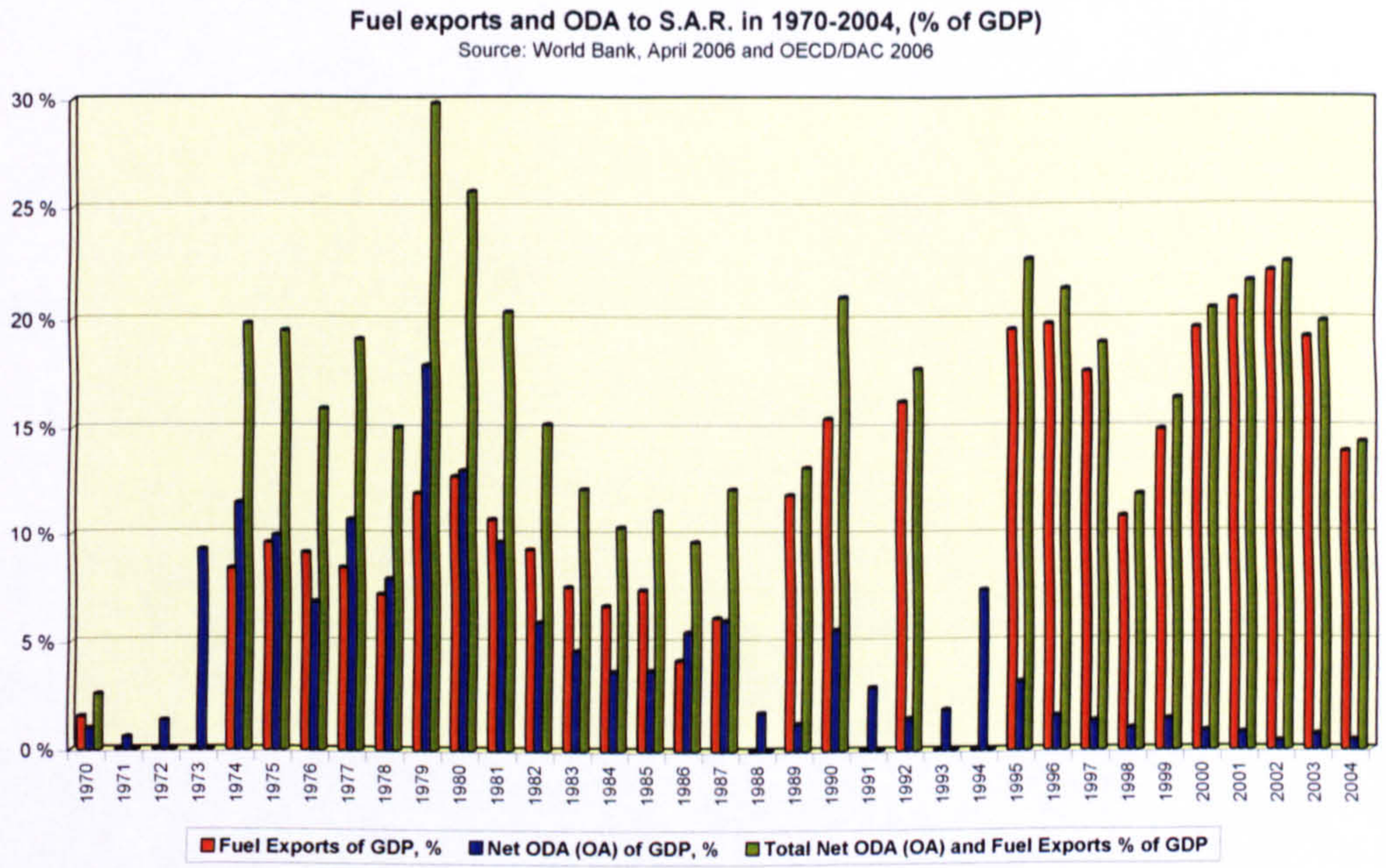
The following tables show the fuel exports and the aid revenues combined in 2000-2004 and during the entire period of this research.

Table 62:



[512] Hinnebusch, Raymond A. *Syria after the Iraq War: Between the Neo-con Offensive and Internal Reform.* DOI-Focus Nr. 14, Deutsches Orient-institute, March 2004, p. 5.

Table 63:[513]

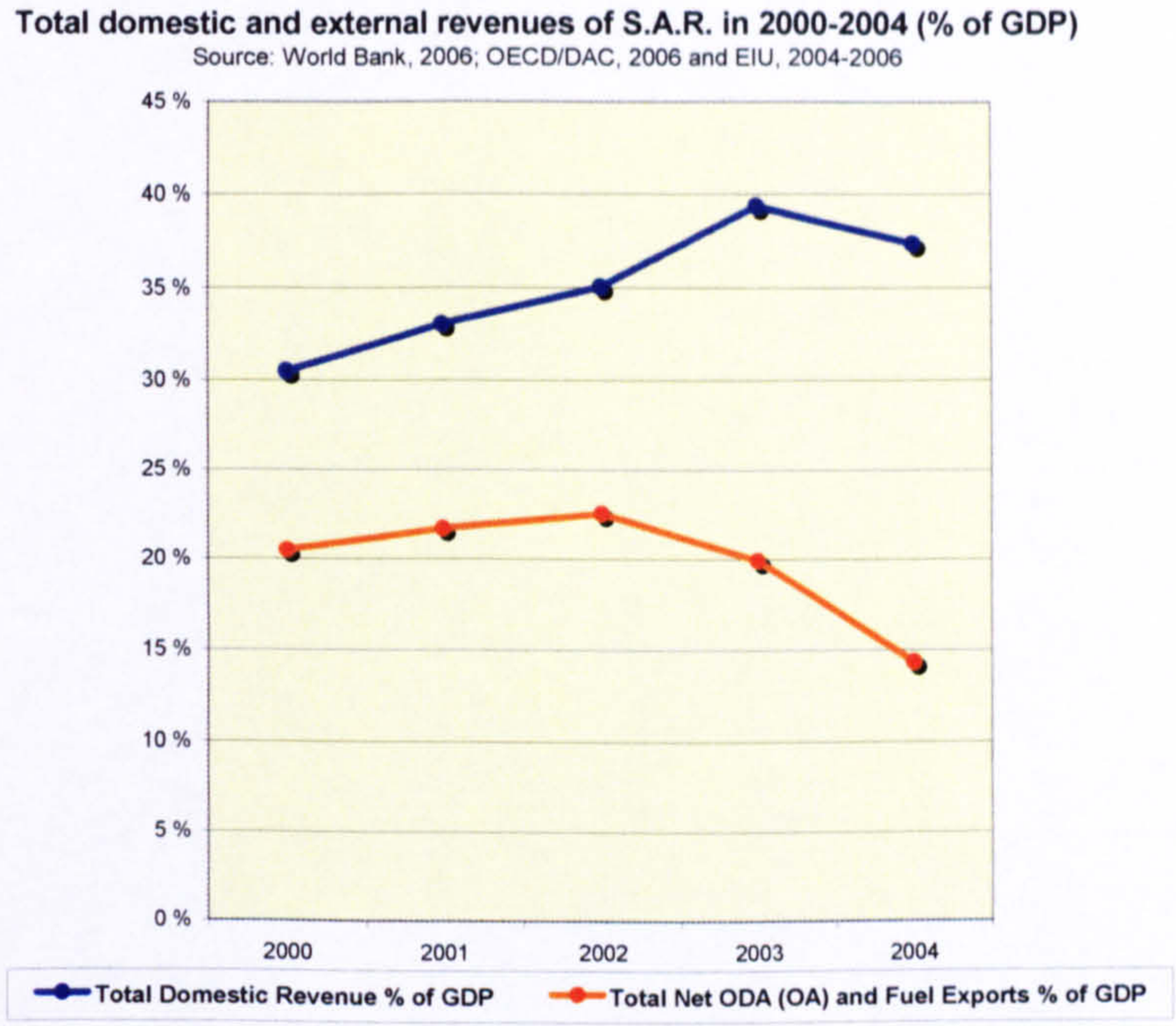


The second conclusion is that the external revenues were higher than ever between 2000 and 2005 as an annual average, if compared to the periods of 1990-1999 and 1974-1989. On average, the fuel exports and aid were 19.8% of GDP annually, varying between 14.3% and 22.6%. The increase in the 1990s seems to be 1.2%. The amount of external revenues is very much the same as during the high levels of external revenues at the end of the 1970s and beginning of the 1980s.

As the annual average of external revenues is so close to 20%, Syria can be more clearly defined a semi-rentier state economy from 2000 than in previous years. Although GDP figures for 2005 and 2006 are not yet available, one can assume based on the data on fuel export revenues by OPEC and the International Energy Agency, that mainly as a result of the high oil prices, the fuel export revenues also as a percentage of GDP were very high.

[513] Fuel export values are not available for 1971-73, 1988, 1991 and 1993-94.

Table 64:



As was the case in the 1990s, military expenditure was not significant and the external revenue was largely free for other use. The military expenditure was annually on average 6.9% of GDP, declining again by 1.5% from the 1990s. The total decline from the annual average of the Cold War era was 19%. This is despite the fact that the external threat environment worsened for Syria from 2000. The fact that military spending did not increase is logical, because the threat was not primarily military but political, and even if there had been a military threat to Syria, the threat was not to be countered by military means in any case. The amount of military personnel also declined from around 7% in 2000 to less than 6% in 2004. Note that this does not include intelligence, only army personnel. The following tables illustrate the decline in overall military expenditure and decline in the share of military expenditure of external, domestic and total revenues.

Table 65:

S.A.R. military expenditure in 2000-2003 (% of GDP)

Source: SIPRI, 2005

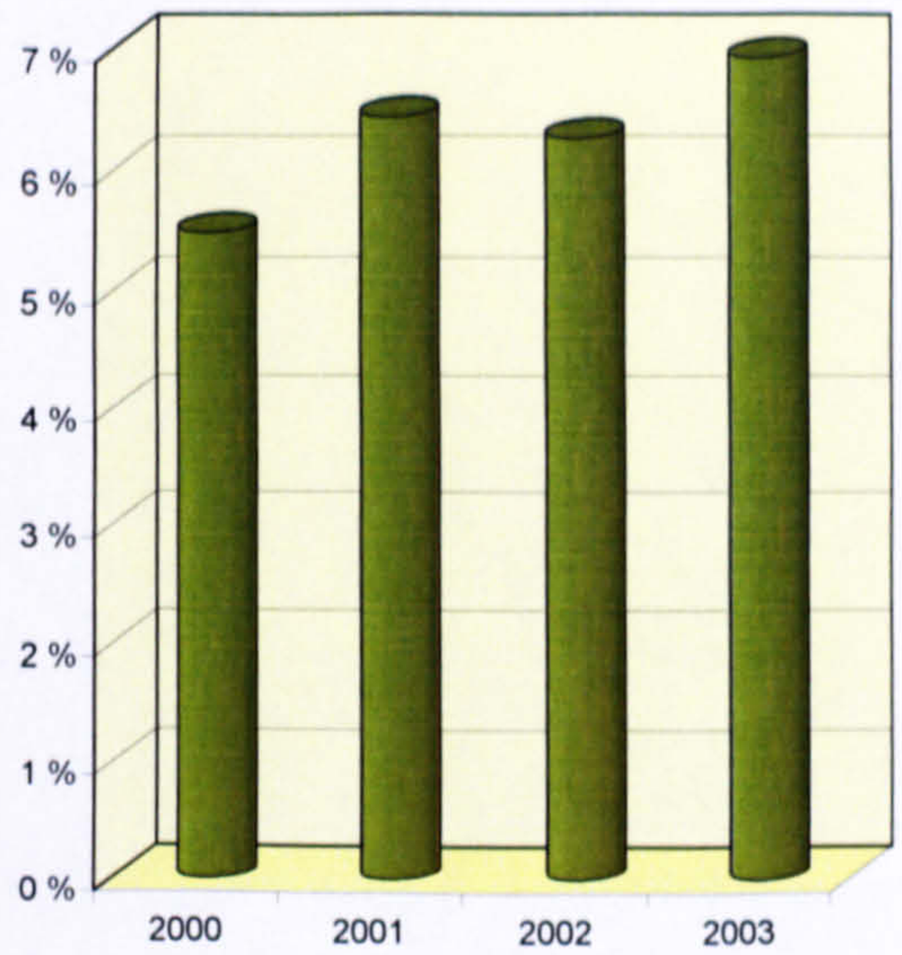


Table 66:

S.A.R. arms imports in 2000-2003 (% of GDP)

Source: World Bank, 2005

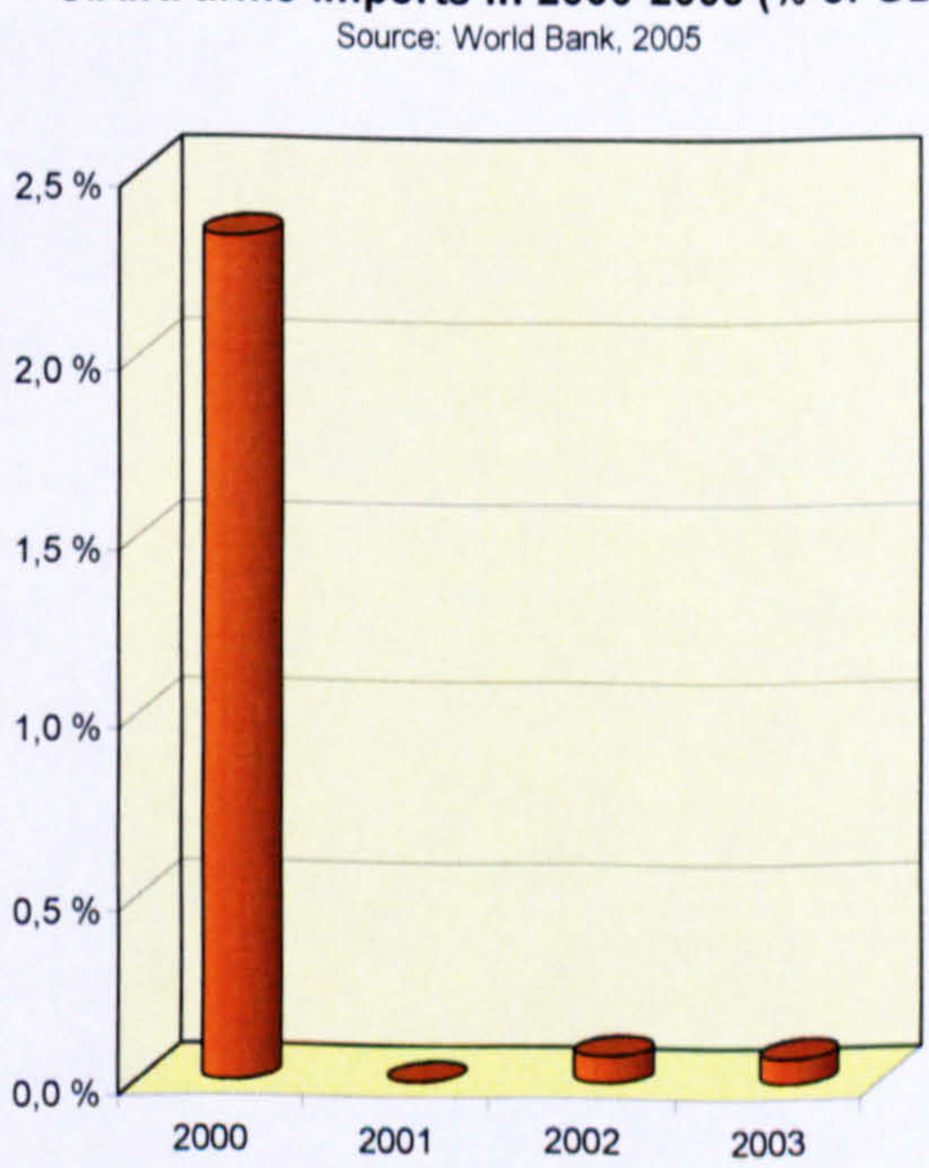


Table 67:

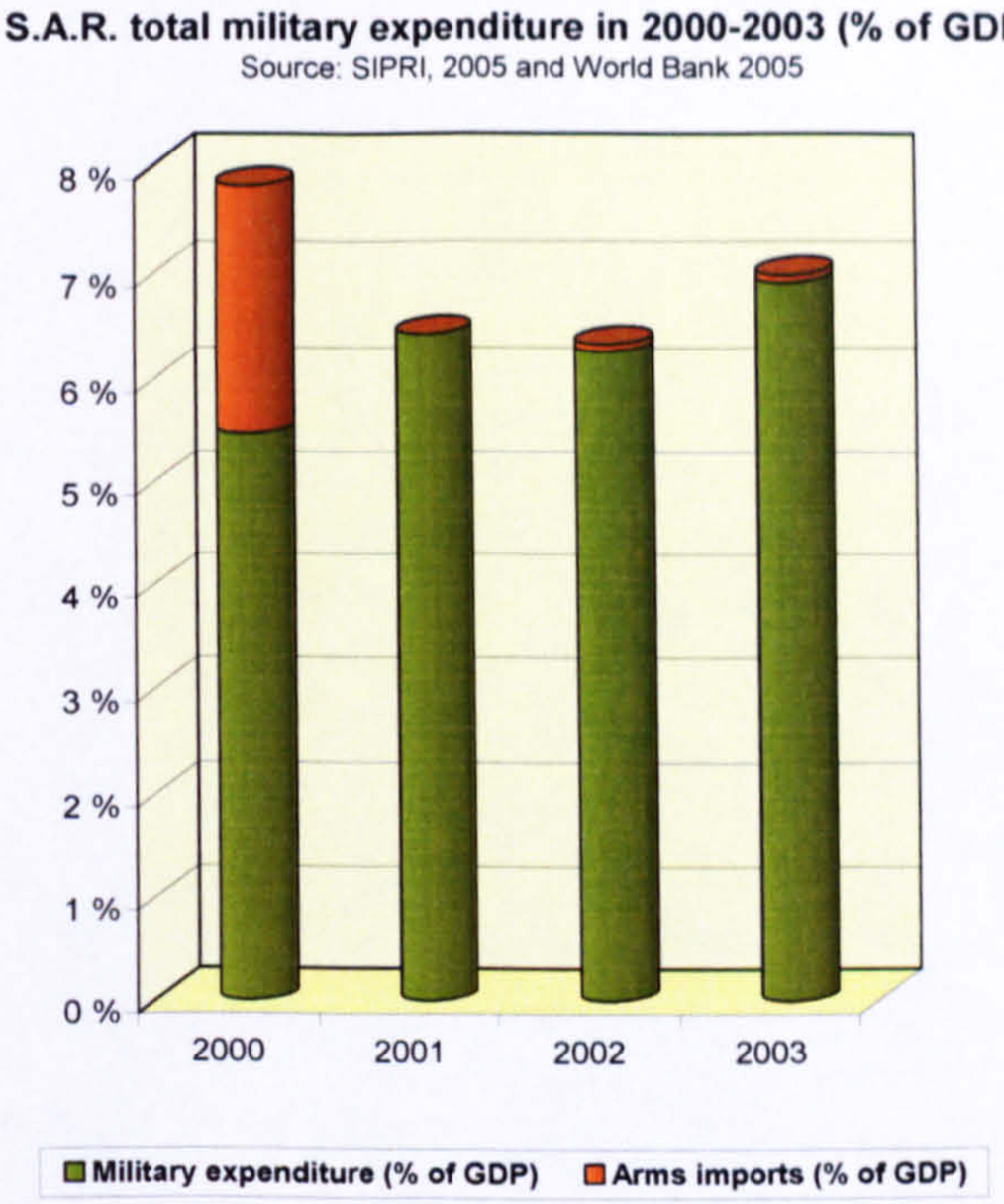
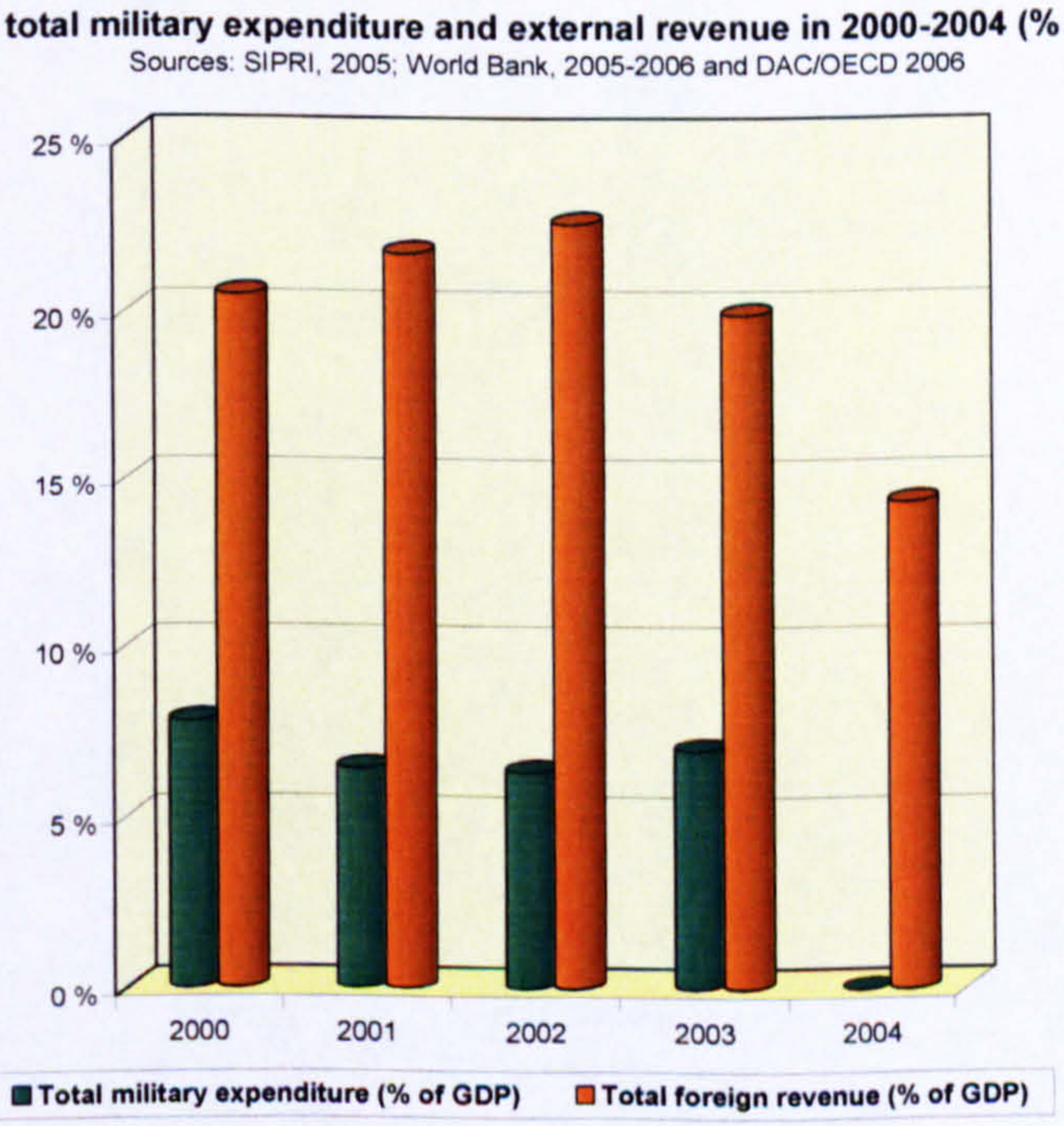


Table 68:[514]



[514] Value is not available for military expenditure in 2004.

Table 69:[515]

S.A.R. total military expenditure and domestic revenue in 2000-2004 (% of GDP)

Sources: SIPRI, 2005; World Bank, 2005-2006 and EIU, 2004-2006

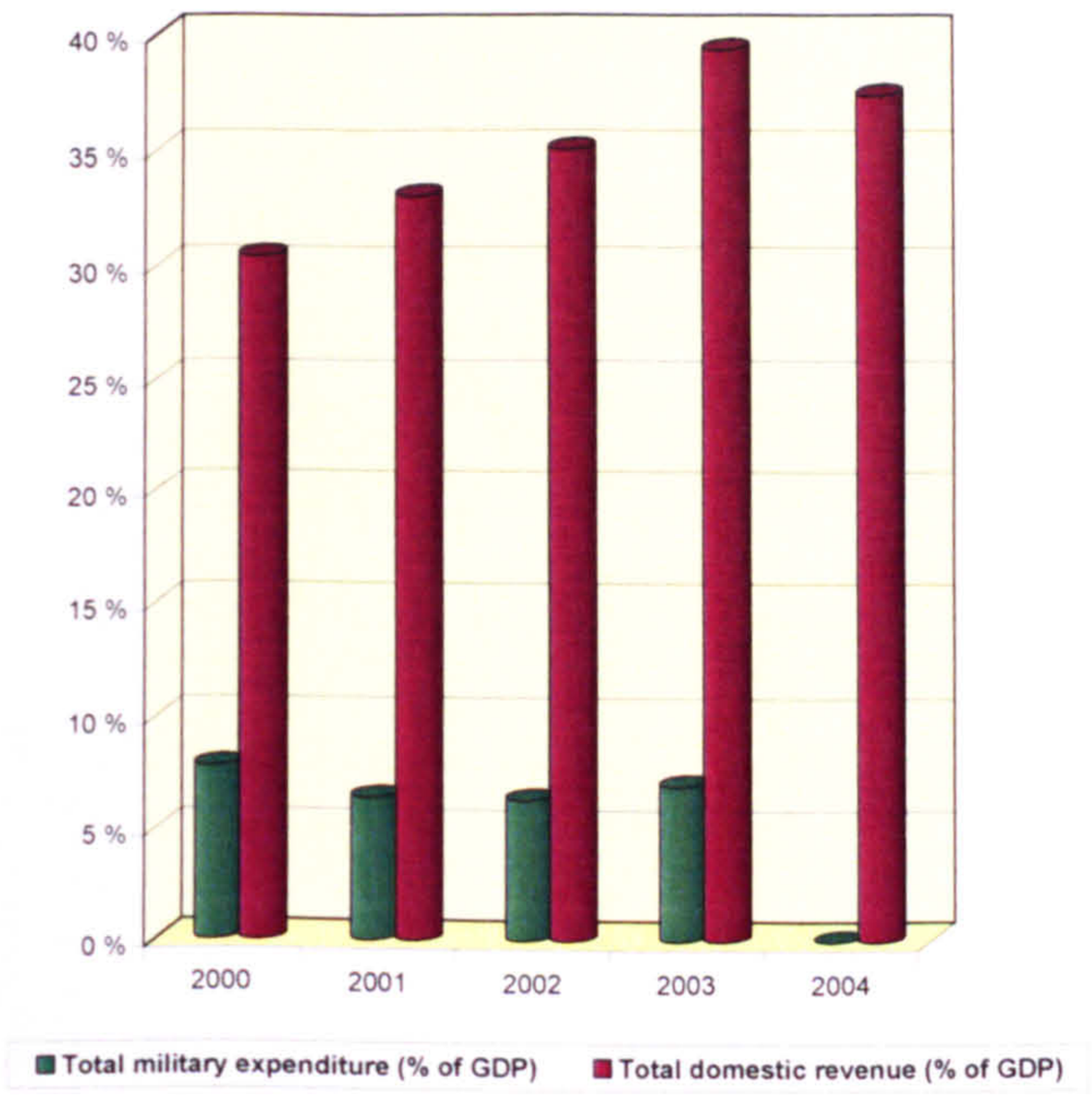
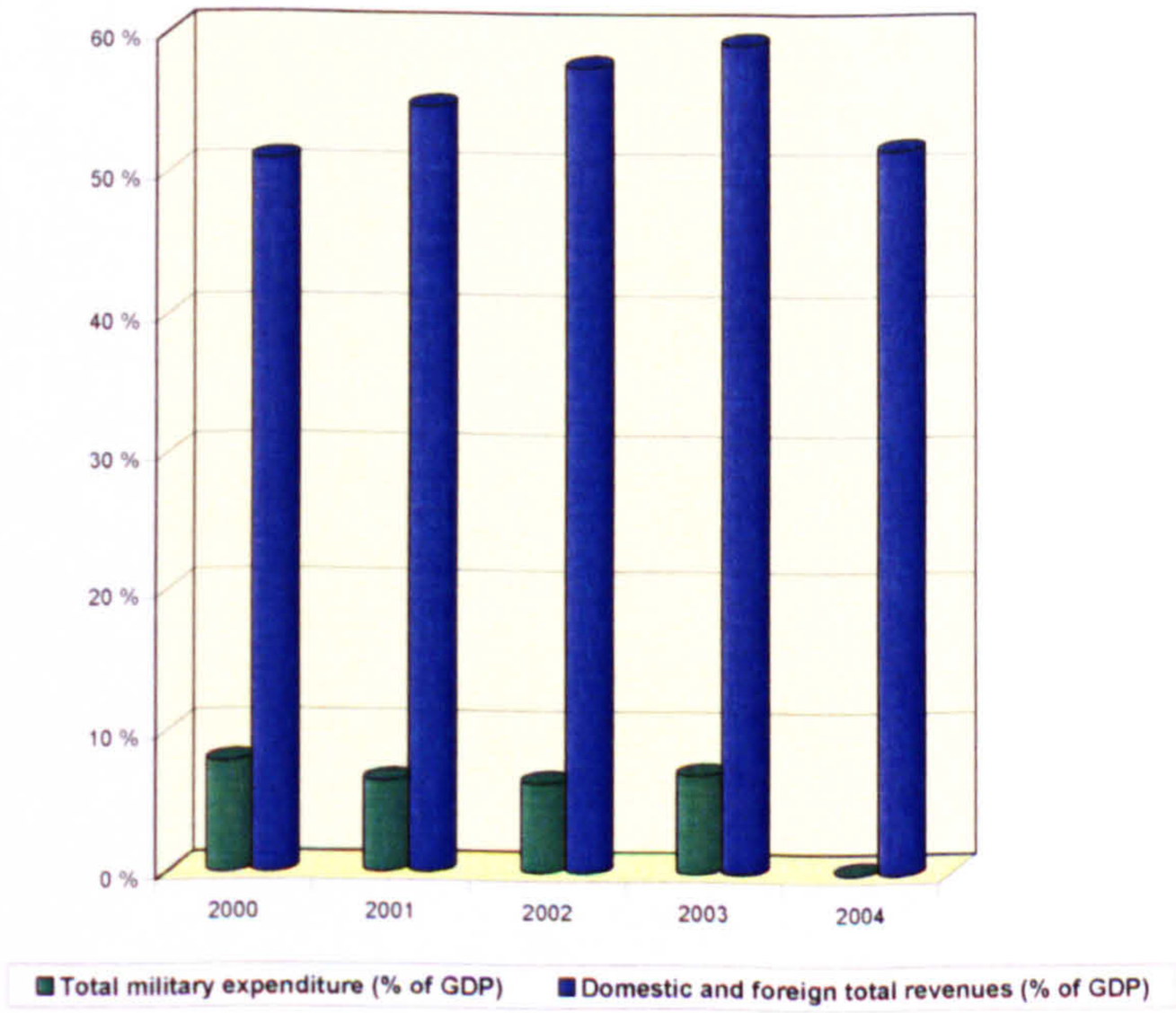


Table 70:[516]

S.A.R. total military expenditure and government revenue in 2000-2004 (% of GDP)

Sources: SIPRI, 2005; World Bank, 2005-2006; DAC/OECD 2006 and EIU, 2004-2006



The tables indicate that the relatively low level of militarization did not demand domestic sacrifices from the state budget and therefore did not cause any necessity to bargain with the political status quo. As the external

[515] Value is not available for military expenditure in 2004.
[516] Value is not available for military expenditure in 2004.

revenues greatly added to the state budget and as the military spending was low, there was a relative increase in the fiscal autonomy of the state from 2000. As proof of the role of the external revenues as buffers for the regime security and economy, according to the Economist Intelligence Unit, Syria used much of the external revenues to enlarge its foreign assets.[517]

Fiscal capabilities and economic strategies of the state

Despite the stable fiscal capabilities, Syria had large budget deficits and was heavily indebted.[518] Contrary to earlier decades, the regime urgently aimed to increase its fiscal capacities by both external rent seeking and domestic extraction by economic liberalization. Efforts were made to secure the fiscal autonomy in the longer run. There was also a need to secure the regime and economy concretely.

Despite the achievements in external extraction in the short term, the long term focus was on domestic extraction. In great contrast to the earlier decades, Syria pursued a more substantial economic reform policy from 2000. This change in policy was not due to an immediate fall in external revenues, which would have necessitated economic reforms along the lines of rentier theory. However, in the last years of the 1990s, the external revenues from fuel exports had declined. When this was added to the alarming message that Syrian ability to export fuel could exhaust in but a few years, the possibility of a decline in external revenues may have contributed to the decision to pursue a domestic extraction strategy.[519] In 2002, Syria's deputy prime minister had acknowledged that fuel export income would not be enough in the medium term to maintain the stability of the Syrian economy.[520] In other words, there was a fear that the fiscal autonomy of the state would diminish in the future due to the fall of external revenues. Therefore, the domestic extraction strategy was pre-emptive for

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[517] Economist Intelligence Unit. Syria. Country Profile 2002, p. 41.
[518] In 2003 the budget deficit was estimated to be an alarming 12.8% of GDP, some of which was probably funded by loans. Economist Intelligence Unit. Syria. Country Profile 2003, p. 27.
[519] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 34.
[520] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 30.

securing the fiscal capabilities of the state. Considering the stage of the Syrian economy, they were long overdue.

The change in economic policies was not due to an acute immediate economic crisis as in the case of the earlier economic liberalization at the beginning of the 1990s. The long term imbalances in the economy constituted, however, one of the main reasons for the start of a deeper economic liberalization policy. Thus the liberal theory would appear to explain the change to some extent. The economic growth was limited as a result of the large spending on state-led economy and the inefficiency of the public sector, producing heavy losses.[521] At the same time, Syria should have tripled its annual real growth to keep up with the population growth. Syria had a chronic threat of increasing unemployment rates due to the rapidly growing population producing some 200, 000 – 250, 000 new entries to the labour markets annually.[522] The general unemployment level is estimated to be around 20%. [523] There was a consensus surrounding the need to liberalize and integrate better with the world economy.[524]

An immediate reason for the timing of the reforms is related to the change in the highest position of power, as Bashar al-Asad succeeded his father as president. Bashar's concept of economic reforms was also somewhat different to his father's, at least inasmuch as Bashar saw the economy as the main problem that the president had to react to, contrary to his father's preoccupation with foreign policy. The concrete difference was that in contrast to his father's small steps of adaptation, Bashar aimed to move with the reforms full-scale, starting with some that had been suggested already at the beginning of the 1990s, but never implemented.

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[521] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 30.
[522] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 34, Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 29.
[523] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 29.
[524] Hinnebusch, *Syria after the Iraq War: Between the Neo-con Offensive and Internal Reform*, p. 5.

What was the concept of Bashar's economic reforms, then? The economic policy was motivated by one aim, the creation of prosperity.[525] The reforms were first of all pursued gradually, considering the need for regime stability and the balance between different social forces, excessively rapid changes could cause challenge to the regime or sectarian divides. In practice, gradualism was also realism, as the transformation of the state-led economy was to be slow due to the structures built during the Ba'athist era by patronage and co-option policies, namely the relationship between the state and the beneficiaries. Most importantly, the political power base built by the state-led economy had to be considered. This included forming policies that would not upset the large part of the population that was state employed and largely Allawi. The regime also did not wish to alienate the original supporters of the Ba'athist revolution still powerful within the party, the workers, salaried middle class and farmers, represented by trade and farmers' unions within the Baa'th party.[526] The regime had to ensure that the liberalization measures did not increase the number of poor, but most of all the regime had to think of the reactions of the - mostly Sunni - old and new bourgeoisie that benefited from the state-led economy, especially by doing business through monopolies and state contracts. On the other hand, the largest beneficiaries of private sector initiatives would be Sunnis, whose power would increase in contrast to that of the Allawis and the state-dependent Sunnis.[527]

Due to this complexity of socio-economic structures, the regime had to move cautiously to maintain its power and stability. Because the political legitimacy came from state spending, most concretely from subsidies on food, employment and spending on patronage and co-option, cutting down state spending was not an option. But in case there were fears of decline in the state's ability to spend and allocate, that is in fiscal powers of the state, then the restructuring of the economy slowly was all the more urgent.

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[525] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 70.
[526] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 31-32.
[527] Hinnebusch, *Syria after the Iraq War: Between the Neo-con Offensive and Internal Reform*, p. 5.

The reforms indeed did not aim to bring down the public sector and pursue large scale privatization, but rather create a more viable private sector.[528] This strategy was formed due to regime stability and socio-economic necessity. The state needed the private sector to grow in order to create tax income and increase exports to gain economic growth and increase state revenues. However, at the same time, the state sector could not be dismantled by privatization as this would compromise the social balance. In practice, a rapid privatization could cause large scale unemployment if jobs were not first created in the private sector.[529]

The focus on revitalizing the private sector is illustrated in Leveret's summary of the aims of economic reforms, "...trying to stimulate development of a more entrepreneurial private sector, reducing transactional costs in the local economy, and beginning to lower barriers to interaction with the global economy."[530] In addition to revitalizing the private sector and promoting export-oriented industry, the aim was to create jobs, improve education and take greater advantage of information technology.[531]

In practice, during the years of 2000-2005, Syria aimed to reform tax laws to increase tax revenues, ease imports by cutting customs duties for domestic manufacturing industry and by releasing some import restrictions, promoting exports by easing export taxes and limiting foreign currency transactions. Efforts were made to attract foreign investment, by proposals for free trade areas. Private banks were established and banking secrecy was introduced. There was a reform of currency exchange policies, foreign currency exchange and trading was allowed, the education level was aimed to be increased through the creation of private universities and education sector reforms. Unemployment offices were established to promote

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[528] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, pp. 71, 80.
[529] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 71.
[530] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 80.
[531] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 32.

employment.[532] In the first year of Bashar's presidency, actions were taken aimed at increasing private consumption, such as salary increases in the public sector and allowance of credit cards.[533] Indicative of the extent of the initiatives for economic reforms is that, for example, in 2005, 134 laws were passed to promote economic reforms.[534]

The initiatives suggest that the reforms were aiming for a more comprehensive restructuring of the state led economy rather than adaptation. In practice, however, the implementation of laws and initiatives was very slow due to lack of motivation in changing the economy because of an intra-elite power struggle that resulted from the lower level of legitimacy of the new president to pursue policies outside of his father's legacy, of which a structural change in the economy was definitely among the most important. As a result there was an inability of the president to pursue new economic policies, or indeed any reforms, despite the fact that the fiscal capabilities were in place. The president was simply unable to use the fiscal capabilities to balance the political power by patronage and co-option to his ultimate favour as Hafez had done, the divide in the elite was deeper and the reform policies too challenging for much of the existing political power base in the elite that Hafez had built. Much of the lack of efficiency to pursue new policies was due to Bashar's partial lack of legitimacy. The inability to use the institutional capabilities of the state for pursuing new policies was somewhat logical, as the particular policies were to affect the state apparatus itself. The intra-elite conflict will be broadly discussed in the next chapter.

From the economic perspective, the intra-elite conflict related particularly to economic reforms can be seen as a structural opposition to deeper changes

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[532] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 81. "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 7. Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 32-33.
[533] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 80.
[534] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 7.

by the beneficiaries of the current system.[535] These include much of the major pillars of power of the president, the Ba'ath party, and the new bourgeoisie that was allowed to access the state benefits by patronage and co-option. Now these same structures that had served the stability of the regime and formed the basis of the power coalition of the president in recent decades were against policies that would affect their position. This does not mean that there would not have been a consensus surrounding the need to improve the economy. For example, in 2005 the Ba'ath party congress confirmed that Syria would aim for socialist market economy. It rather means that, under the surface, the structural tensions existed, sometimes more apparently, sometimes less.

The structural opposition to economic reforms was evident in a split of the political elite to those promoting economic reforms alongside Bashar, mainly technocrats, and those opposing Bashar or at least some of his reform policies, mainly Ba'athists. Maybe the clearest example was the opposition from the Ba'ath party to the reformist ministers of Bashar. Bashar lost two major economic reformers, the Minister of Finance, Issam al-Zaim, and the Minister of Industry, Muhammed al-Atrash, in 2003 from the government because of the Ba'ath opposition demanding national consensus after the Iraq war. Bashar was also unable to secure support for his suggestion to install a technocrat government, which would have pursued reforms, instead of the party-led government. This example resembles how strongly the Ba'ath party, and the new bourgeoisie allied with the party, objected Bashar's economic reforms. Zaim was working against the new bourgeoisie that benefited most from the government monopolies and other means of state contracts. Al-Atrash on the other hand had acted against a recent takeover of power of the Aleppo chamber of commerce by the new bourgeoisie.[536] There were also major anti-corruption campaigns by the president, surely motivated by the need to eliminate opposition as well as to challenge the inefficient, unproductive state sector.

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[535] Leverett, *Inheriting Syria. Bashar's Trial by Fire* , pp. 80-84.
[536] Hinnebusch, *Syria after the Iraq War: Between the Neo-con Offensive and Internal Reform*, p. 21.

The lack of efficiency in pursuing reforms was also partly due to the lack of capacity, skills, education and vision of the bureaucracy. Laws and initiatives were simply not implemented well enough, if at all. Bashar aimed to pursue an administrative reform, including foreign education and consultants.

In this context, it is logical that Bashar limited his economic liberalization policies to supporting the private sector and maintained the main tools of allocation, patronage and co-option of the state that would be important in managing any liberalization. The features of rentierism, such as a large public sector, state employment, monopolies and state subsidies on basic commodities were still in place. Bashar manifested the importance of the large public sector for strategic and security reasons,[537] clearly indicating the reliance of the regime power base on state employment. The public sector still acted as a mobilizing and control mechanism.

How could the new president, then, proceed with economic reforms that were to some extent against the interests of the bourgeoisie and bureaucracy? One explanation for the anxiety of Bashar to pursue economic reforms can be found in the need for the new president to create his own support base, distinct to that of his father, for legitimacy and to be able to use the state power sufficiently for regime stability. This will be discussed further in the next chapter. The larger question is why Bashar pursued economic reforms even though the external revenues were at their highest? Overall, thus far the economic liberalization in the Middle East had been due to either a fall in external revenues and/or immediate debt crisis, that had required entry of more private capital, or as a result of conditions placed by debtors such as the International Monetary Fund and the World Bank or the aid providers such as the US and the EU. Clearly in the Syrian case, as of 2000 none of these factors were at play. The reforms were domestically motivated, there was almost no influence by external actors in the decision to pursue liberalization and there was no immediate debt or other economic

[537] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change* , p. 36.

crisis, although there was a long term rationale for improving the economy. The influence of the EU was minor because the association agreement had not entered into force. In addition, the external revenues were so high that a policy of laissez-faire, or smaller scale adaptation would have been possible.

It seems sensible that deeper economic liberalization is pursued from the position of strength by the state: that is when the economic conditions are not threatening regime security. The state was in need of deeper economic restructuring and now had more fiscal capabilities to pursue it and secure the regime against the possible losers of economic liberalization. In addition to the long term economic unbalances, this seems to be the best explanation for the timing of liberalization in early 2000. The approach of an end to fuel export revenues adds to the urgency of restructuring the fiscal capabilities of the state. The threats from the external security environment also made the economic reforms more urgent. Syria indeed pushed the reforms further more intensely after the pressure related to Lebanon increased.[538]

In practice, the lack of efficiency, the structural opposition to reforms and bad administrative implementation ensured that the effects of the changes to the economy were not dramatic. Gradualism was also an important reason for the lack of concrete effects.[539]

Despite the growth in importance of the private sector and businessmen, the old strategy of co-option seems to have been used. This time, however, the business interests were just co-opted to the presidents 'modernizers' camp, not to the party, which resembled the old-guard. The economic reforms have not thus far incurred any deep changes in socio-economic structures or created an independent bourgeoisie or power bases. The interests of the businessmen who benefited from the economic reforms were tied to the ability of the president to continue reforms.[540]

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[538] Landis, Joshua. "Conflict with West Spurs Economic, Not Political Reform". *Arab Reform Bulletin*, Carnegie Endowment for International Peace. Volume 4, Issue 5, June 2006.
[539] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 36.
[540] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 7.

As a conclusion, despite the tense security environment due to imports of Iraqi oil and high oil prices, the fiscal capabilities of the state were higher than ever from 2000. There were, however, serious concerns regarding the ability of the state to continue extracting external revenues in the long term because of the exhaustion of oil production and lack of other external revenues. Therefore, domestic extraction was increased slowly by reforming the economy. The reforms were aiming to be restructural. They aimed at increasing the input of the private sector to the economy and slowly dismantled the extensive public sector - at least partially. Still, little privatization took place at this stage. The economic reforms were put forward by the new president, who lacked the full personalized powers and institutional capabilities, further studied in the next chapter. Therefore, they can also be seen as part of a strategy to build a new power base, for the new regime based on the new president - in other words, as acts of increasing or securing the fiscal capabilities of the state, the institutional capabilities of the state and legitimacy of the new president and his state. The reforms themselves were domestically rooted, and not dominated by external debtors or other international actors. The high level of external revenues, however, explains why in the midst of the economic reforms, state-control, allocation and co-option still persisted. In other words, the rentier features were firmly in place.

5.3 External pressure and state autonomy

This chapter analyzes how the increased external pressure on Syria affected the domestic political system from 2000. It concentrates on the political system after the inauguration of the new president, and analyzes the changes that appeared in the legitimacy and efficiency of the state deriving from divides within the regime. It analyzes how the tense external security environment that delegitimized and threatened the regime as never before affected the state powers.

Institutional and coercive capabilities

For the first time in the era of Syrian history under study, there were changes in political power structure, namely a change in the highest position of power. The issue of succession revealed a weakness in state power related to the institutional capabilities of the state. Because power was personalized to the ruler to an extreme, a successor was bound to have a weak institutional position to carry out his policies. Leverett has called this "an institutional immaturity".[541] Instead of an institutionally guaranteed power position, the political system in Syria requires the ruler to gain its position through coercion and power balancing within the core elite to gain legitimacy and efficiency for the regime. That is unless the legitimacy of the use of power should be personalized to the new ruler immediately without a contest. Should there be a lack of legitimacy, the efficiency of the ruler to use power would be undermined.

The highly personalized power position of the president Hafez al-Asad created a legitimacy problem for his successor. Because of the possible vulnerability of the new ruler to a power struggle, president Hafez al-Asad was unable to nominate his successor institutionally and therefore rely on the institutional status of the successor. Because the competitors for power should be kept competing for the succession, the president kept power in his hands.[542] Outside of the institutions, however, there was an attempt to groom his first son Basil for the presidency, until he died in a car accident in 1994. After that, there remained very little time for grooming the next son, Bashar, for power, in terms of creating a reliable core elite around him, ensuring that the power balance was in his favour and gaining legitimacy for him from the political and economic elite and the public.

Hafez used his last years for transferring his legitimacy to his son Bashar in a grooming process that included gaining legitimacy particularly within the military and intelligence apparatus, as well as the public. Opposition from

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[541] Leverett: *Inheriting Syria. Bashar's Trial by Fire*, pp. 27-28.
[542] Ibid, p. 29.

the army to his succession was eliminated. He received important backing from defence minister, Mustafa Tlass. Bashar rose in the army ranks. He served in and rose to a status of a captain, and then to a staff colonel before his presidency. The challengers remained, but there was no opposition to Bashar when he became president.[543] To achieve public legitimacy, a careful attempt was made to create an image of a modernized Bashar. During the grooming process, he was heavily involved in an anticorruption campaign and in transferring Syria to the computer age. He also tried to place reform-minded people in important positions already before he became president.[544] The grooming process of a son in a republic has also been witnessed in Egypt where the president's son Gamal Mubarak appears to have seized power.[545]

President Hafez al-Asad was successful in creating legitimacy for Bashar in the elite and public by his personalized power position and legacy. The institutional structures and personalized power base were united, when Bashar, assumed to continue the legacy of the family, took power and the formal process of grooming the president took place without a contest.[546] After President Bashar al-Asad took power in July 2000, he received institutional powers: the commander-in-chief of the army, general secretary of the Ba'ath party and President of the Syrian Arab Republic without a contest. There was wide support for Bashar within the inherited regime.[547]

As a consequence of the lack of immediate institutional powers, however, the new president had to continue his father's policies and rely on the power structures and the core elite created by his father, often called the old guard. The power resources of the president were therefore not complete and he was not an autonomous decision-maker. Instead "a collective leadership"

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[543] Ibid, pp. 61, 68.
[544] Ibid, pp. 62-65.
[545] See for example: Slackman, Michael. "Son of Mubarak Eyes Succession", *International Herald Tribune*, 19. September 2006.
[546] Carnegie Endowment for International Peace. "Reform in Syria: Steering between the Chinese Model and Regime Change", *Carnegie Papers*, No. 69, July 2006, p. 4.
[547]"Reform in Syria: Steering between the Chinese Model and Regime Change", p. 4.

was created with Bashar and the old-guard.[548] This meant, first and foremost, that he was bound to face difficulties if he was to conduct changes to the power structure of the core elite. Secondly, he had to consider that he was expected to follow his father's legacy in his policies. These constraints seriously undermined his ability to create his own power base and political vision. In other words, the president faced a weakness in efficiency. A weakness in legitimacy within the elite was also to be expected if the rules of the game were to be altered.

If the president was to aim for changes in Syrian domestic or economic policies, inherent to his position was a natural need to create a power base of his own. Another inherited need was to create a new political vision, because the Syrian economy and society were facing pressures from high birth rates, globalization and decades of a lack of adaptation of the economy to the global needs.[549] The president therefore had a two-fold policy. On the one hand, he needed to keep up the legacy of his father, on the other he urged for changes. On the one hand, he built a power position of his own, on the other he relied on the old guard. This duality of the nature of his leadership also led various analyses of the new president as a leader. The analyses differ remarkably.[550] Some analysts see him as a reformer, who has had to struggle with the old guard. Some see him simply as a follower of his father's legacy. For others, he is a ruler without vision and experience.[551]

The need to rely on his father's legacy and to push for reforms simultaneously is apparent in the inaugural address of Bashar after he became president. He indicated that he would both maintain his father's legacy and make changes to it. This was also noticeable in his first interview, which reflected a wish to both pursue reforms and maintain old policies at the same time.[552] As proof of this complicated dualism, an advisor to Bashar has said that keeping the image of following the legacy of

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[548] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 8.
[549] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 33.
[550] Ibid, p. xii.
[551] Ibid, pp. 19-21.
[552] Ibid, p. 69.

Hafez al-Asad is the biggest problem of Bashar's presidency.[553] Later, Bashar has also said openly that the old guard and the political structure in Syria was a problem for pursuing reforms.[554]

The change in Bashar's policy in relation to that of his father was to gradually pursue economic, social and political change. The economic change was the primary goal. The initiatives for economic reforms were numerous and they aimed at structural change in liberalizing the economy and slowly changing the state-led economy to a market economy. These economic policies were reviewed in the last chapter in detail. On political change, the aim of the president seemed to be to carefully pursue social and political reforms without compromising state power, regime stability and without inflicting sectarian conflict. Despite optimism related to Bashar's wording on political reforms, it was apparent that he was not going to move far on democratization. The changes in Eastern Europe, the Soviet Union and Algeria are often cited as examples that Bashar did not wish to follow.[555] There were clear signs of some initiatives for political change, however. Syria was about to accept free municipal elections first to be held around 2007.[556] There were also attempts to reform the party law so that parties independent of the Ba'ath party would have been allowed to register and operate. This is clear from the debates of the working groups preparing for the Ba'ath party congress from summer 2004 onwards.[557] There were signs of intention to extend the reform also to the sphere of security. The length of the army service was seen to influence economic development, and the service period was cut down from two-and-a-half to two years.[558] The discussion in public about the emergency law did not take place, but criticism was raised by the opposition and they were allowed to continue their activity. The Ba'ath party congress in 2005 also debated the emergency

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[553] Ibid, p. 29.
[554] Ibid, pp. 31.
[555] Ibid, pp. 70-71.
[556] Interview with an international diplomat, Damascus, 6. December 2004.
[557] Interview with a Syrian journalist, Damascus, 26. July 2004 and 8. December 2004.
[558] "Military Service in Syria Reduced to Two Years", *Arabnews.com*, 1. July 2005.

law.[559] This can be seen as a sign of the acceptance of some debate on the issue.

In the field of political liberalization, according to Leverett, Bashar pushed for opening the domestic political debate and civil society, albeit slowly and carefully. As regards freeing the political debate, the president initially allowed greater freedom of the press. He appointed new directors to the state news agency SANA, state radio and TV and to the state-run newspapers of al-Bath, al-Thawa and Tishreen. The legal parties were also allowed to publish their papers. A license was also given to the first private newspaper al-Dommari. The president also allowed the human rights committee to restart their activities and allowed the establishment of a new human rights organization. Political prisoners were pardoned in significant numbers and the cult related to the president and his family was no longer supported.[560] He also allowed some NGOs - although government-sponsored - to increase their activities from 2003. There was no legal framework for their activities, the groups acted as charities or their nature as a non-registered organization was ignored. Although most of the NGOs were government dependent, some were also independent.[561]

The accounts of Bashar's sincerity regarding social reform and civil society empowerment are divided, but there is enough evidence as Leverett concludes to suggest that Bashar initially aimed to revive civil society. He argues that this is because he believed that empowerment of civil society would foster social change, support economic reforms by growth of the private sector and avoid a growth of sectarian identities.[562] The analysis of George is somewhat different. He sees that the civil society movement evolved in spite of the regime, taking advantage of the new leader and the small moves towards political liberalization.[563] In the spring of 2000, there was a movement to create civil society forums that were allowed to operate

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[559] "Syria Looks to Ease Emergency Law." *Al-Jazeera net*, 11. June 2005.
[560] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, pp. 88-90.
[561] Ibid, pp. 94-95.
[562] Ibid, p. 88.
[563] George, *Syria. Neither Bread nor Freedom*, p. 30-47.

despite the emergency law that prohibits free gatherings without government approval. This era of a temporary liberalized political environment, often called the Damascus spring, produced two public calls for political reforms, called the statement 99 and the statement of 1000. Basher has been said to have supported the first declaration. He has also been reported to have said to the security apparatus that they are not allowed to stop the activities of the forums.[564] The second call for reforms has been widely seen to have been more directly challenging to the regime.[565] Indeed, in late autumn of 2001 the civil society forums were crushed and their activities stopped.

Because the new president was not only to follow the policies of his father, the lack of institutional efficiency was bound to become apparent and noticeable. The inefficiency was manifest in the struggle between Bashar and the Ba'ath party old guard and the bureaucracy. How did the President then counter the problem of inefficiency of state power and inability to put forth policies that would have changed society? First, Bashar used appointment and retirement policy to create his own power base, an inner circle, or as Leverett calls it "an alternative regime".[566] Bashar appointed highly–educated, often Western exposed academics, businessmen, specialists or technocrats often with no party alliance or political background to the position of advisors and ministers in the key fields of his reform agenda.[567] These personalities included Ayman al-Nur, who became the president's economic advisor, Samir Seifan and Sami al-Khiami, at the Syrian-European Business centre, Ghassan al-Rifai as a Minister of Economics and Foreign Trade, Issam al-Za'im, as Minister of State Planning, and Minister of Industry and the Chairman of the State Planning Commission, Sa'dallah Agha al-Qal'a as Minister of Tourism, Abdullah al-Dardari, the Chairman of State Planning Commission and head of Syrian Economic Society and Mahir al-Mujtahid as Secretary-General of the

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[564] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 92.
[565] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 10. More on civil society movement, see George, *Syria. Neither Bread nor Freedom*, p. 30-46.
[566] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, pp. 71-72.
[567] For more see Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 9.

Presidency of the Council of Ministers.[568] He also changed governments in December 2001, September 2003 and October 2004, although the nominations did not always succeed. In the end, the hard-liners moved out, such as Vice President Abdel-Halim Khaddam, who resigned in summer 2005, head of the intelligence Bahjat Suleiman, head of military intelligence Hassan Khalil and head of political security, Adnan Badr Hassan. As a result, old party leaders lost power. At the same time, however, the opposition to Bashar broadened.[569] By 2002, an estimated 75% of the 60 top leaders within the political decision-making, administration and military were replaced.[570]

In the security sector, Bashar aimed to establish his power base by installing people loyal to him to the highest positions. Bashar had pushed several high ranking officers from the army for early retirement. He also placed Ghazi Kana'an in the position of the Minister of Interior and his brother-in-law Asif Shawkat to the position of Director of Syrian Military Intelligence. By this appointment policy, Bashar clearly built a power base of his own, differing from the old guard and the men loyal to his father. According to Leverett, the appointments in the security sphere also signify that Bashar wished to surround himself with people that were able to maintain stability, but who were moderate in their response and accepted the reformist agenda of Bashar.[571] This point is supported by the fact that the changes in the field of security took place after the violent crackdown of the civil society movement and personalities advocating freer public debate.

Bashar also used a retirement policy in order to be able to release obstacles for nominations. In March 2002, the president ordered that all civil servants over 60 years should retire, altogether around 80,000 people. Replacing these helped in creating loyalty networks and created new neo-patrimonialist structures. However, Perthes emphasizes that the main need was to appoint people with expertise as part of administrative reform rather than create new

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[568] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, pp. 73-76.
[569] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 6.
[570] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 9.
[571] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 97.

political loyalties by appointments. Appointments also acted as a reminder of anti-corruption politics, as they showed that the Ba'ath party was not an automatic path to significant positions.[572] This appointment and retirement policy has often been misperceived purely as a generational change. It was rather about a build-up of a new power base, assisted by a generational change.

Bashar also aimed to limit the power of the Ba'ath party, and the existing old-guard and their followers.[573] The new president did not place much weight on the Ba'ath ideology, which was apparent from the economic reform initiatives that were contrary to the socialist ideology of Ba'athism. Bashar also admitted that Ba'ath party "no longer matters" in an interview with Leverett.[574] In summer 2003, there was an announcement that the party would no longer interfere in day-to-day politics. He was also attempting to reform the role of the Ba'ath party in politics by allowing new parties and through other reforms, issues that were debated before the Ba'ath Party Congress in 2005.[575]

Bashar also limited the power of the party by using alternative channels for policy implementation. Some of the challenging personalities were eliminated by appointment policy, but a greater challenge came from the bureaucratic structures, which Bashar often tried to circumvent. The relationship between the new president and the bureaucracy truly revealed the inefficiency of state power in the hands of Bashar. The bureaucracy was mostly lead by old guard ministers, who held a decade-long tradition of running the business of the state, which included corruption, personal economic interests, political appointments, lack of effectiveness, capacity and expertise and a basic opposition to change. This was especially apparent in the field of economics, the key area of Bashar's reform policies. Economic decisions belonged to the Council of Ministers, and they were

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[572] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 10-11.
[573] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 8.
[574] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 70.
[575] Interview with a Syrian journalist, Damascus, 26. July 2004.

tightly linked to the careful balance between the interests of the bureaucrats and the Sunni economic elite. Therefore, in addition to the slow and inefficient ministries, the politico-economic structures of power and benefits, carefully built during decades of Ba'ath party rule, became the key obstacle to reforms. This has been acknowledged by Bashar himself.[576] Therefore, there were problems in implementing the numerous economic reform initiatives. Despite this, many analyses consider the reforms in the economic sector as dramatic and real.[577]

One of the main strategies that Bashar had in his hands to circumvent some of these obstacles was the EU association agreement. According to interviews with Syrian policy makers and EU officials, Bashar's motivation to sign the association agreement was very much to gain legitimacy and a practical roadmap to pursue the reforms that he considered necessary. According to the interviews, Bashar pushed for the association agreement for domestic needs, to overcome the hard-liners.[578] Another clear example of circumventing the bureaucracy was the creation of so-called "parallel structures" including advisory boards, nominated implementers and contact persons between the grass-root and the president that worked on a broad number of issues directly under the president and outside of the ministries. The advisory board on economic reform initiatives was the clearest attempt to circumvent the traditional procedures of decision-making in economic affairs. Other examples can be found in family issues (youth and women's rights).[579] In a long term perspective, an important tool was also the administrative reform, including the building of capacity within ministries and training of civil servants.[580]

The dual nature of Bashar's policies created a duality of behaviour from the president. The resistance to new policies, as well as to the circumvention

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[576] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 31.
[577] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 7.
[578] Interview with a European diplomat, Damascus, 4. August 2004 and 20. January 2005. Interview with a Syrian official, Damascus, 27. July and 3. August 2004. Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 85.
[579] Interview with a European diplomat, Damascus, 4. August 2004 and 20 January 2005. Interview with an NGO activist, Damascus, 6. December 2004
[580] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, pp. 82-83.

attempts described above was clear and the new president had to take it into consideration. Bashar had no aim to seriously upset the power balance to such an extent that it would have upset his own power position. He continued to push for reforms and maintain power at the same time.[581]

Views differ on the entire sincerity of Bashar in pushing reforms. The question is, however, mistaken. It is not a matter of sincerity. The question is: What was the motivation for his reform drive? A drive that, on the basis of all evidence, he undoubtedly had. According to the opposition, the interest of Bashar in pushing for reforms was rooted in the need to secure the regime.[582] Therefore, the reforms were not expected to go far. According to this logic, also adopted in this research, there was a long term rationale in the reforms to buy legitimacy through economic growth for the regime, and especially for the new president. The need existed despite the seemingly comfortable fiscal powers of the state. The capabilities to grow and distribute economic wealth to the people could not be developed without deeper economic reforms and "modernization" in the new globalized world, in which satellite channels showed every Syrian their level of economic development and the gap between them and the rest of the world. The motivation for reforms was indeed to strengthen the regime. Therefore, it was clear that reforms would have limits.

Depending on the views of Bashar's "sincerity" or motivation to push for reforms, the evaluations vary concerning the extent to which Bashar in some cases gave up to the needs of the old guard, agreed with the positions of the old guard or was himself part of the old guard. It is clear, however, that in order to maintain his power position, Bashar agreed with some of the positions of the old guard – increasingly so after his first years in power. At times, the common position appeared to have come as a result of hard opposition to Bashar's policies, sometimes due to a commonly recognized need in the core elite to take a step back to guarantee regime security or to slow down the pace of changes. This is particularly evident in the

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[581] Ibid, p. 35.
[582] Interview with Michel Kilo, opposition leader, Damascus, 18. August 2004.

crackdown of the Damascus spring and repression of some newly granted liberties, appointments of governments, the results of the Ba'ath party congress 2005 and in the implementation of economic reforms.

The civil society activism, the Damascus spring, was cracked down upon by the security agencies with full legitimation from the president. The forums were eliminated from February 2001, followed by waves of arrests by autumn of 2001. The newly granted freedoms in press liberties were also cracked down upon. There were new restrictions on the press, publishing of al-Dommari was prohibited and the director of al-Thawra was changed.[583] Initially, Bashar seemed to have had a positive approach to the forums, but as their demands for political reforms hardened and the old guard took a very confrontational approach, Bashar moved closer to the position of the old guard and legitimized the repression of 'the Damascus spring'. According to the Carnegie Paper, the main motivator for this change was the opposition of the old guard.[584] Most notably the powerful Vice President Khaddam seemed to be very unhappy about the policy to allow public debate.[585]

The appointments of governments were examples in which Bashar had to give up many of his own nominations to the old guard. In the first reshuffle in December 2001, Bashar appointed his ministers. In September 2003, however, he faced opposition to his wish to appoint a technocrat government. The Ba'ath regional command resisted this by referring to the regional pressures on Syria. As a result, for example Bashar's loyalists, al-Atrash and al-Rifai from the Finance Ministry and Economy Ministry were sidelined. [586] In October 2004, Bashar proposed to appoint considerably fewer reformists then before.[587] Bashar lost the struggle for nominations for the party, which was a sign that an alliance of the party and the old guard were still important in the bid to make headway.

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[583] Leverett, *Inheriting Syria. Bashar's Trial by Fire,* pp. 93-94.
[584] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 5.
[585] Leverett, *Inheriting Syria. Bashar's Trial by Fire,* p. 90.
[586] Hinnebusch, *Syria after the Iraq War: Between the Neo-con Offensive and Internal Reform*, p. 21.
[587] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 77.

Bashar also appears to have lost his ability to push forward changes in the Ba'ath Party Congress that took place in summer 2005. The preparations from 2004 seemed to promise significant changes, but the result of the Congress itself was very disappointing for those wishing to see greater reforms. The mood was positive for reforms during the last half of 2004.[588] However, the restlessness of the old guard is reported to have grown in autumn of 2004 as the external pressure intensified.[589] Already, the postponements of the Ba'ath party congress made it clear that there were serious disagreements.[590] During the Congress, the differences in position between the president and the old guard were clear, best illustrated by the fact that the Vice President Khaddam criticised Bashar openly and resigned.[591]

By 2005, Bashar seems to have shifted to the old guard position. The reform drive exhausted gradually as the political pressure for Syrian withdrawal from Lebanon intensified, after the Hariri murder in February 2005, and the Syrian withdrawal from Lebanon. The increasing delegitimation of the regime by the international actors during the Hariri-investigation and by the opposition of Khaddam from exile by the end of 2005 finally closed the political space and tightened domestic security and surveillance.[592] Bashar seemed to have moved to unite the political elite in the face of pressure on the regime and left reformist policies in the name of domestic stability and unity.

The overall result of this dual policy of the new president and inefficiency of the state power was that the concrete political reforms were, in the end, few during 2000-2005. Therefore, the concrete impact of the reform initiatives for the political system and its authoritarian nature were none. None of the political changes had an effect on the distribution of political power, and

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[588] Interview with a Syrian journalist, Damascus, 26. July 2004.
[589] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 97.
[590] Interview with a Syrian journalist, Damascus, 8. December 2004.
[591] "Syria: Baath Party Congress, Crackdown on Human Rights Activists". *Arab Reform Bulletin*, Vol. 3 Issue 5, June 2005.
[592] Interview with European diplomats, Brussels, 9. October and 10. October 2006.

they were rather cosmetic.[593] Despite this, the proposed changes - had they been implemented - show that Syria would have taken a step in a semi-authoritarian direction. Syria would have slowly adopted more of an appearance of democratization without true changes at the core centre of the power structure.

A second result of the inherited weakness in the power position of the president was that the core elite became smaller, power was exercised by a narrower coalition and there was an apparent power struggle between the closest core centre of power and the wider political elite. The smaller decision-making circle does not mean that Syria became more authoritarian, because the closest core had to consider the positions of the wider political elite. There was also no move towards greater political competition in democratic terms, because the emerged competition for power appeared within the regime and not between new competing groups and the regime. What it meant was that the presidential powers were somewhat limited.

The new power structure was as follows: the new core elite was composed of the persons whose loyalty Bashar could count upon, namely the family. In addition to Bashar, the core included his brother Maher al-Asad, who was the head of the Republican Guard and brother-in-law Asef Shawkat, who was the head of military security.[594] Furthermore, Bashar gave power to new loyalists through the appointments and retirement policy. According to Perthes, the president indeed replaced almost the entire old elite. These "new guard" members were not a sign of a change in the power balance, simply a change in the balance inside the political elite to favour the new president. The new appointments were co-opted, and were equally interested in the benefits that the proximity to state resources offered the old guard. Bashar also still relied on some old guard members, such as Foreign Minister and later Vice President Farouq al-Shara.[595] The opposition

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[593] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 7.
[594]"Reform in Syria: Steering between the Chinese Model and Regime Change", p. 6.
[595] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 9, 11.

consisted of the old guard, secularist intellectuals, Islamists and some local leaders.[596]

Effects of the external environment

The external environment affected the domestic politics in at least three notable ways. First, the external fiscal environment bore an impact by creating the need for economic reforms. The pressures of the external fiscal environment affected the political system because of the necessity to pursue economic reforms for guaranteeing the fiscal capabilities of the state in the medium and long term and for increasing the legitimacy of the state. This made it necessary for the president to move ahead with domestic reforms and therefore depart from the legacy of his father, which resulted in inefficiency connected to institutional powers. Secondly, the external security environment affected the legitimacy and inefficiency of the new president by accelerating the power struggle. Thirdly, although the economic reforms continued, the tense security environment from 2005 directly impacted on the eventual end to political reforms.

The first two effects of the external environment have been discussed in the preceding analysis. In addition, the external security environment had a clear effect on the overall conditions in which Bashar aimed to stabilize his rule and pursued the new policies. These conditions affected the legitimacy of Bashar more as a new president within the political elite and within the public at large. The external security environment, which was very highly pressured for Syria from spring of 2003, accelerated the existing power struggle and contributed to the narrowing of the core decision-making elite.[597] In other words, it served to diminish the efficiency and legitimacy of the presidency as the old guard felt uncomfortable with Bashar's abilities to

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[596] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 9.
[597] Carnegie paper argues, that this is because of the combination of external pressure and domestic pressures. These two effected in a way that narrowed the power base. "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 6.

handle foreign policy issues.[598] There was wide criticism against Bashar among the political elite on foreign policy, which was most evident ahead of the Ba'ath Party Congress in 2005, held a few months after Syria withdrew from Lebanon. The congress experienced wide disagreement between Bashar's people and the old guard.[599] The Ba'ath party also referred to external pressure when they refused to accept Bashar's government in 2003.[600]

The timing of the signs of the power struggle matches with the pressure from the external environment. External pressure was at least used as a means in the domestic power struggle. The signs of conflict were apparent from end of 2003 when the old guard objected to Bashar's government nominations. This correlates with the increasing fears for Syrian and regime security after the first phase of the Iraq war. From the summer of 2004, the struggle for results from the Ba'ath party Congress began and the expectations for major changes lowered as time passed.[601] This tallies with the increasing pressure for Syria to withdraw from Lebanon after the EU turned to support the US in pushing Syria on the matter.

Interestingly enough, although the trend towards a power-struggle and eventually towards Bashar's move to support the position of the old guard in halting domestic political and social reforms is clear, there is also evidence of an acceleration of intentions and initiatives for reforms during times when Syria's external environment was already highly pressured (not, however, anymore after the Hariri investigation). Perthes noted that in 2004 there were certain signs that Bashar would slowly dismantle his father's authoritarian structures.[602] He saw that the authoritarianism was becoming

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[598] The criticism was also grounded in divisions on foreign policy approach towards the US, some proposing engagement, some preferring to rely on the policies that maintain Syrian regional influence, because they saw no chance for changing US policies towards Syria by compliance. Syria under Bashar (I): Foreign policy challenges. International Crisis Group, p. 5.

[599] Interview with a Syrian journalist, Damascus, 26 July 2004.

[600] Hinnebusch, *Syria After the Iraq War: Between the Neo-con Offensive and Internal Reform*, p. 21.

[601] There was an internal power struggle after 2003, "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 3.

[602] Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, p. 5.

milder.[603] Furthermore, several interviews both in summer and in late 2004 conducted by the author overwhelmingly indicate a very positive environment by diplomats and Syrian observers.[604] This can be explained precisely in terms of the external pressure. The reform initiatives were taken in order to show to the US and the EU compliance to the calls for democratization. Syria was shown to be different from Iraq, and a message was given that Syria was on the path to allaying the fears of the external actors. Domestic reforms were therefore used partly also as a tool to improve the external situation. This was possible because it was not in contrast to the agenda of Bashar.

This changed soon after the external pressure rose.[605] It can be argued that the external pressure - particularly from 2005 after the Hariri investigation - halted domestic reforms. The pressure directly threatened Bashar's core regime. The domestic political environment had almost returned completely to the Hafez era with very little room for manoeuvre for the opposition. The external security environment hardened to such an extent that the move away from political reforms was logical. The state of war in the region had been the key motivator for the use of domestic coercion and maintaining the utmost stability for regime security since 1970. As the threats were now more directed towards the regime security than ever before, the worries were logical. In addition to the direct military pressure and military isolation after the Iraq war, the pressure on Lebanon and the humiliating withdrawal thereafter, the political elite, especially the old guard, was worried about US democratization calls in the region and their possible effects on the domestic public, especially as the calls were combined with images of the fall of a Ba'athist regime in Iraq. There are some evaluations, according to which the

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[603] Ibid, p. 11.
[604] Interviews for example with Western diplomats, Damascus, 6. December 2004 and 8. December 2004 and with Syrian observers, Damascus, 6. December 2004, 26. July 2004, 8. December 2004 and 18. August 2004.
[605] Interviews with European diplomats, Brussels, 9. October 2006 and 10. October 2006.

external pressure indeed encouraged the opposition to act against the government.[606]

The old guard was also very concerned by *jihadist* and Kurdish activity.[607] This must have also concerned Bashar. The need for strong coercive capabilities was more and more legitimized as a result of the Islamist threat, not by threat of invasion or a military conflict. The insurgency following the Iraqi invasion and the traffic of the foreign fighters from Syria was suggestive of a possible increase in Islamist radical activism also in Syria. Syria witnessed a handful of terrorist attacks for the first time since 1970 under the Asad regime in 2004 when a bombing attempt was made on an empty UN building, and in 2006 when there was an attempt to bomb the American embassy. The security forces also clashed with Islamists in December 2005.

The increasing ethnic and religious tension and violence in Iraq after the fall of the Ba'athist regime also increased worries for domestic stability in Syria. The core of the political power, that was Alawi by religion, faced a political challenge from the old guard that was Sunni by majority. The major opponents within the public were from the Sunni majority, who were increasingly finding moderate Islamism as the force for political mobilization.[608] This worry guaranteed that the core elite around Bashar must have also shared same worries for domestic stability. This seems to have contributed to Bashar's shift closer to the old guard and to the narrowing of the core elite around Bashar. Evidence of this is found in the government reshuffle of 11 February 2006 that has been seen as supportive of the hard liners in the face of foreign pressure.[609] The coercive capabilities were also in place. Bashar had secured his regime by appointments in the army and intelligence from the start of his presidency. The domestic

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[606]"Reform in Syria: Steering between the Chinese Model and Regime Change", p. 3. Hinnebusch, *Syria after the Iraq War: Between the Neo-con Offensive and Internal Reform*, p. 22.
[607] Leverett, *Inheriting Syria. Bashar's Trial by Fire*, p. 97.
[608] Interview with a Syrian journalist, Damascus, 26. July 2004 and 8. December 2004.
[609] "Syria's Assad Announces Major Cabinet Reshuffle", *Haaretz*, 12. February 2006. "Asad Reshuffles Cabinet, Signals Defiance", *The Daily Star*, 13. February 2006.

surveillance was further enforced by new technology. Indeed, a foreign observer analyzed in 2004 that Syria spent much of its military budget on high technology electronic surveillance systems to monitor domestic opposition.[610] The coercive resources that would ultimately be in Bashar's favour in case of an attempt to bring down his regime were in the hands of the Alawi loyalists.

The Hariri investigation was the final reason for halting the reforms and uniting the political elite and the public. The investigation posed a problem to Syrian sovereignty based on the over-powerful authority of the regime.[611] In the worst case, Syria would have had to hand significant members of the ultimate core of the political power, exactly those that were closest to Bashar, over to the international court. Furthermore, Syria would have faced UN sanctions.[612]

New from the US side was more aggressive delegitimation and demands for regime change. According to diplomats, Syria took the US threats of regime change in Syria seriously.[613] The external delegitimation was not the only concern. At the same time, the former Vice President Khaddam challenged Bashar from exile and called for a change of regime, simultaneously with the American pressure. Khaddam sought to unite the exiled opposition and cooperated with the Muslim Brotherhood[614], which worried the regime severely. There was also open criticism of Syrian Lebanese policies by the domestic opposition. In releasing the so-called "Damascus declaration" in October 2005, signatories criticized the regime's destructive regional policies that have lead Syria to isolation. According to them, the policies were not guided by national interest. The declaration demanded Syria to turn from a "security state" and demanded free and regular elections, a democratic constitution, the rule of law, pluralism, individual rights, end to

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[610] Interview with an European diplomat, Damascus, 4. August 2004.
[611] Gresh, Alain. "Syria: a Concentrated Offensive". *Le Monde Diplomatique*, December 2005.
[612] UN sanctions were suggested to include smart sanctions, aimed at the regime. For more on the estimated effects of possible sanctions, see Tabler, Andrew. "Can Syria Afford United Nations Sanctions?" *The Daily Star*, 6. December 2005.
[613] Interview with a European diplomat, Brussels, 10. October 2006.
[614] "Khaddam in Alliance Against al-Assad", *Al-Jazeera*, 9 February 2006.

emergency law, release of political prisoners, return of exiles and minority rights. Signatories came from the entire opposition - from the exiled Muslim Brotherhood, to leftist, nationalist, Kurdish, secular opposition and human rights activists.[615]

The insecure external situation combined with the confusion of the unity of the political elite under the new leadership of Bashar al-Asad aroused serious debate of the possibility of the fall of the regime in Syria.[616] This was particularly worrisome for those wishing the regime to stay in power because the external pressure came in conjunction with a domestic undermining of Bashar's legitimacy as a leader and an increase in domestic opposition activity. The death of the interior minister, Ghazi Kanaan, also indicated fragility in the security sector.[617]

These debates on the possible fall of Bashar's regime were, however, not particularly well-founded, as the domestic structures are very stable and the coercive abilities of the regime would have been able to counter domestic threats. Even the likelihood of an unstable regime was unforeseen before the US invasion of Iraq. Further proof of external influence on domestic changes was found in the reform demands from previously unheard directions, most importantly from the street level.[618]

Bashar was not going to move on political reforms. Reforms were halted and the domestic political environment became tense. Coercion and surveillance increased. There were also strategies for strengthening domestic unity and gaining legitimacy. The regime aimed to dilute criticism at home and rally for support in the face of the Hariri-investigation. Bashar rallied

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[615] The signatories were the Democratic National Grouping in Syria, Kurdish Democratic Alliance in Syria, Committees for the Revival of Civil Society, Kurdish Democratic Front in Syria, Future Party and several individuals. English version appeared in the *Syria Comment*, 1. November 2005.

[616] See for example debate in internet blog SyriaComment.com: "Will Asad Fall", *Syria Comment*, 7. January 2006. Based on several conversations by the author, debate also occurred within diplomatic and research circles.

[617] Butt, Gerald. "Syria Struggles with New Realities", *BBC*, 13. October 2005.

[618] The criticism of the government became possible since Bashar took power and increased after the Iraq war. Perthes, *Syria under Bashar Al-Asad: Modernization and the Limits of Change*, pp. 14, 62. This was no longer the case on the streets since beginning of 2005.

for domestic support for the Syrian position and used the external threat for uniting Syrians behind the regime. The regime forged domestic unity with a massive propaganda campaign, and used external pressure to increase domestic support by using anti-Western rhetoric.[619] This was done by a public propaganda campaign that accused the investigation of foreign interference, demonized the UN investigator Mahlis by providing evidence of Syrian innocence and by speeches addressing the public.

Bashar blamed investigators of interference in Syrian domestic politics at a rare speech at the university.[620] Syrian media blamed Israel and the current Lebanese government for the assassination of Hariri and for scapegoating Syria. A Syrian satirical comedy 'Standing...sitting...silence' appeared, that was critical of domestic policy but supported Syrian foreign policy. Propaganda films demonizing the UN investigator were circulated. The Houssam masked witness case was designed to impress domestically.[621] Syrian newspaper rhetoric clearly illustrates this point: "And now at last the mystery witness has been unmasked. Hassam Taher Hassam, has told the truth and spoken out"[622] The regime also released opposition figures from jail to gain support. 190 opposition figures were released in November 2005 and five prominent activists were further released in January 2006.[623] Economic reforms were pursued to also maintain domestic legitimacy.[624] These strategies worked and the regime gained the upper hand in handling the threat to domestic stability and regime security. In the end, as a Carnegie Paper argues, by 2006 the regime had succeeded in bolstering its strength by narrowing the core elite, repressing opposition and using anti-Western rhetoric.[625]

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[619]"Reform in Syria: Steering between the Chinese Model and Regime Change", p. 3.
[620] Al-Asad, Bashar. "We Must Fight". *Syria Comment*, 10. November 2005. Bashar also gave an interview to French TV, Channel 3 "Fair and Objective Report is Imperative, Facts are Demanded and Truth is Syrian Innocence." *The Syria Times*, 7. December 2005.
[621] Young, Michael. "Give Detlev Mehlis Six More Months." *The Daily Star*, 1. December 2005.
[622] "Opinion." *The Syria Times*, 29. November 2005.
[623] Ghattas, Kim and Turner, Mark. "Syria Releases Opposition Politicians", *BBC*, 18. January 2006.
[624] Landis, Joshua. "Syria: Conflict with West Spurs Economic, Not Political Reform", *Arab Reform Bulletin*. Carnegie Endowment for Democracy, June 2006.
[625] "Reform in Syria: Steering between the Chinese Model and Regime Change", p. 3.

As a conclusion, during the first five years of Bashar's rule, there was first a momentum for a departure from old policies and new policies for reforms. This was caused partly by pressures from the external economic environment, and followed by a power struggle and inability to implement reforms, which was further impeded by a tense external environment. The pressure related to Lebanon finally moved Bashar close to the position of the old-guard. The regime reacted by means of repression in the domestic environment and abolishment of some liberties. As a result of the external pressure, by 2006 the Syrian regime was stronger and there was little motivation for domestic reforms.

For the first time since 1970, there were serious questions related to the efficiency and legitimacy of the president and with it the entire regime. The problems related to implementing economic reforms shows that there was less motivation for change by the regime. However, the events since the increase in external pressure show that the regime was very capable of quickly maximizing its legitimacy. The regime also had autonomy. The fiscal powers were good and the coercive powers were in place. The fiscal resources of the regime would have been sufficient to guarantee political stability had the regime faced a concrete challenge. The high income from oil exports clearly indicates that the government fiscal resources were not at least drastically decreasing. The significant increase in trade also showed no signs of problems, although Syria faced political isolation and threat of broadening economic sanctions. The increase in foreign investments was apparent also at the street level, for example by the mushrooming of new fashion trademarks. This all gave an impression to the public that Syria was not affected by the political isolation. The signs of economic progress gave the regime the ability to buy legitimacy from the public. The fiscal powers were also in place to use traditional allocation and co-option means if and when necessary. The ultimate guarantee for regime security would have come from the army and intelligence that would have fought for the regime security, and in the end guaranteed the security of the Alawi president in the

event of a coup or sectarian conflict. As a result, although the Syrian regime was weaker in 2000-2005 than ever before, the state power still remained such that the authoritarian nature of the regime did not change, even if in general the authoritarianism appears to have become slightly milder. This can, however, only be properly analyzed if the end of external pressure is followed by a return to domestic reforms in the future.

5.4 Conclusions

The Syrian external security environment from 2000 was defined by pressure and increasing isolation. This was because the Middle East policies of the hegemonic superpower, the US, were in increasing contradiction to the Syrian policies in the region. Syria's focus on its regional influence and its sources of pressure to bring against Israel (namely, support for radical Palestinian groups and Hizbollah, presence in Lebanon, arsenal of WMDs and alliance with Iran) became of increasing concern to the US. This was particularly the case since the US had now shifted the focus of its Middle East policies to the war on terrorism, bringing down rogue regimes with WMDs, transforming the regional security architecture to limit the influence of the rogues and democratizing authoritarian regimes. There was a duality in Syria's foreign policy environment. First, there was a need to dilute the pressure of the US and adapt to its regional hegemony, manifested by a strong military presence in Iraq from 2003. Second, there was a need to keep hold of its national interests related to Golan. This produced conflicting foreign policies.

It is argued here that when these key national interests were not in jeopardy, Syria aimed for closer Western engagement to dilute the pressure. This was done by complying with certain US demands, closer EU relations and peace overtures. Despite these policies and as a result of some strategic mistakes in Lebanon, Syria overwhelmingly failed to decrease the pressure emanating from its external security environment. On the contrary, by end of 2005 after having been forced to withdraw from Lebanon and being scrutinized

because of the Hariri investigation, Syrian pressure had turned into an extensive isolation. The threats to Syria had possibly never been as extensive, and significantly, these threats were not overcome by war waging or war preparation as the threats were directed more directly at the regime in Damascus.

Further significant pressure came from the external fiscal environment. Because of the scenario of the falling fuel export revenues and an eventual exhaustion of them, the fiscal capabilities of the state were in serious danger, given that fuel export revenues had been close to 20% of the GDP as an annual average. The gravity of the threats from external security and the fiscal environment and the inability to change the situation aroused concerns of regime stability. In order to secure the regime, it is argued here that guaranteeing fiscal capabilities of the state became very important in foreign policy. President Bashar aimed to increase fuel export revenues through black market trade with Iraq, and placed importance on trade relations and attracting foreign investments at a completely unprecedented speed and intensity. In the end, the peace overtures were also aimed at increasing fiscal capabilities in the possible event of a peace agreement in the future. The urgency for filling the fiscal gap seems also to have been acknowledged by Syrian high officials.

Despite the serious immediate pressure from the external security environment, and the looming crisis from the external fiscal environment, it can be concluded that the immediate economic gains for Syria were such that they very much explain why the seemingly fragile regime of Bashar remained solid and stable. Syrian external revenues had never been higher than 2000-2005. There was an increase in annual average external revenues by 1.2% of GDP compared to the 1990s, annual external revenues being 19.8% of GDP in 2000-2005. The high level of revenues came almost totally from fuel export revenues (19.2% of GDP as an annual average). The increase was due to Iraqi fuel exports and high oil prices that increased drastically after the US invasion of Iraq. As the trade increased and there were some new investments, the gains from the external environment in the

short term seemed surprisingly good. Syria could be considered a semi-rentier economy to a greater extent than before.

Although the external revenue extraction was successful in these years, the looming threat of drastic decline was one of the main motivations for the increase in domestic revenue extraction that was conducted by economic liberalization intended to be so extensive that it can be considered restructural rather than just adaptive. In spite of this, the structural change in the economy was defensive and selective - it was to be done in such a way that it would not upset the socio-economic balance. There was, for example, not to be serious cuts in the public sector or privatization in order not to upset the basic constituencies of the regime. Despite the caution, an intra-elite conflict still emerged partly due to the economic reform policies of the president, as the reforms put benefits of the state-dependent bourgeoisie and high officials in jeopardy. This feeling of restlessness was much also due to the lack of efficiency of Bashar in executing economic reforms and in balancing the losses with benefits by allocation and co-option. The higher level of rentierism, however, explains much of the ability to execute economic reforms by generally maintaining policies of state-control, allocation, and co-option.

Regardless of the pressures from the external security and fiscal environment, the fiscal and coercive powers (in other words the autonomy of the state) appeared to be guaranteed. The institutional capabilities, however, were seriously questioned. This was because of change in the highest position of power by the presidency of Bashar al-Asad, and the problems of legitimacy and efficiency that followed, as well as the influence of external pressure. The institutional capabilities of the state were very much embedded in the three pillars: the presidency, the party and the army. Because of the highly personalized institution of the presidency with Hafez al-Asad, a new president was bound to have problems with exercising his power, although several manoeuvres were made that would increase the legitimacy of the new president. Since Bashar chose to change course and divert from the policies of his father by engaging in economic and political

reform initiatives, by deepening the economic reforms he somewhat departed from the legacy of his father and lost institutional capabilities with it. This aroused a need to gain more legitimacy and institutional powers by focusing on building a new power base in the immediate elite, by using economic and political reforms. As a consequence, there was an intra-elite conflict within the regime and there were problems with the execution of policies, in other words, problems of legitimacy and efficiency.

These problems concerning the institutional capabilities of the state were caused by factors at the domestic level, but the external security and fiscal environment influenced the decline in institutional capabilities and intra-elite conflict as well. This was attributable to two reasons. First, the prospect of declining external revenues caused a policy change to economic reforms that again broke the legacy of Hafez and threatened some of the old elite. Second, the external security environment and the inability of Bashar to dilute the threats, together with some serious foreign policy mistakes threatened the legitimacy of Bashar's leadership. The third way in which the external environment directly affected Syria's political system was that as the security threats increased externally, the political reforms that Bashar had allowed were lost. The immediate reason for the back-track was the need to unite the domestic front and end the instability caused by the intra-elite conflict.

In the end, the fiscal and coercive autonomy of the state persisted, but there was a continuing threat to the fiscal autonomy, which had been the backbone of state power since Hafez created the socio-economic power balance and political system in the 1970s. There was a serious lack of institutional capabilities that Bashar managed to dilute. The rentier nature and policies of state-control, allocation and co-option maintained the stability. All in all, from 2000, the state power was weaker but there was no instability in sight, and no change to the authoritarian nature of the state, although the level of authoritarianism may have become slightly milder. The initial moves towards some political reforms, however, showed that had Bashar continued with political reforms, Syria would have taken some steps

in a semi-authoritarian direction. The external pressure interrupted the domestic progress, and the willingness to execute political reforms can be adequately analyzed only if some political reforms should take place after the possible end of external pressure and deeper engagement with Western powers.

6. Influence of external actors and Syrian regime responses

Within the context of the external security and fiscal environment, policies of powerful external actors, in this case extra-regional actors, have influenced Syria's political system. The influence has varied between direct or more indirect. For example, during the Cold War, the USSR secured the Syrian regime from external threats and from 2000 the EU association agreement discussions shaped the direction of domestic reforms. As noted, the previous chapters cover much of the influence of the main actors in the context of the general security and fiscal environment. However, there is a need to analyze how the external actors have influenced Syrian authoritarianism or reforms through their direct bilateral relations with Syria in greater depth. This is done by means of a few case studies of some relevant actors. Two issues will be analyzed. First, the influence of engagement policy versus that of coercion policy will be discussed, the main actors being the USSR and the US during the Cold War, and the US and the EU thereafter. Secondly, the effect of direct democracy promotion will be analyzed, the main actors being the US and the EU. The regimes generally aim to maximize their sovereignty and resist or dilute the influence of the external actor, in order to guarantee their state power, autonomy, efficiency and legitimacy. This chapter focuses also on reviewing the strategies of the Arab regimes in general and the Syrian regime in particular towards external pressures on the political system and reforms. At the end of this discussion, an analysis is given of the overall impact that these external actors have had on Syria's domestic political system and its authoritarian nature.

6.1. Influence of engagement and coercion on domestic reforms

The use of coercion or engagement towards a country by an external actor appears to be effective in influencing domestic politics of the particular country. A comparative study of Turkey, Egypt and Iran suggests that if the external actors and the particular country concerned are involved in a constructive engagement, then the external influence can contribute to modest, but not substantial, reforms to an authoritarian political system.

When coercive strategies were the main policy tool used with a particular state, this had a counter-productive effect on the advancement of reforms. However, a domestic motivation was needed for the external actor to have an effect. These external reform initiatives did not initiate or sustain the reform process if the internal political dynamics were not conducive to reforms.[626] This can be confirmed by an overview of the Syrian and comparative cases in other Arab countries.

During the Cold War, neither coercion, nor engagement had a direct effect on domestic political systems. The bilateral relations of the superpowers and the local allies in the Middle East had very little direct influence on domestic political systems if one disregards aid revenues and security guarantees and their indirect influence. Elsewhere, the superpowers imported their liberal and socialist state-driven development models more actively along with their alliances to third world countries. In the buffer-zone of Eastern Europe, authoritarian Soviet-modelled socialist systems were installed. The authoritarianism of these states was clearly attributable to the Cold War security environment and the relationship with the USSR. The re-democratization of countries such as Poland and Hungary appeared after the Soviet Union fell, indicating that these were the main factors behind their imposed authoritarianism.

In the Middle East, research has not found any such direct influence of the Soviet Union on political systems. This may be explained by the fact that the Cold War rivalry was not particularly significant in the Middle East, and therefore the involvement of the superpowers was not very intense. Also in this matter the regional security environment dominated, and the Cold War was only influential in the context of these regional-level factors. In other words, the war preparation against Israel had more influence than direct superpower influence on the political system. Countries like Iraq and Syria allied closely with the USSR, but the direct influence of the Soviet model on their state systems was very low, as can be seen for example by the religious

[626] Delacoura, Katerina. *Engagement or Coercion? Weighing Human Rights Policies towards Turkey, Iran and Egypt*. The Royal Institute of International Affairs, 2003, p. xii.

nature of the Iranian regime since 1979. The liberal influence of the US was equally insignificant, and allies like Jordan did not create a democratic political system. The Cold War was mostly about a regional power balance in the Middle East between the pre-existing regimes, not about actively promoting revolutions. Foreign policy orientation was most important, and for this purpose the domestic political systems could be ignored. Indeed, there is a tradition of non-intervention with the domestic politics of an ally in the Middle East that continued after the Cold War.

The direct influence of the USSR on the Syrian domestic political system was marginal. Adoption of socialism in Syria was linked to a nationalist struggle against external penetration. Capitalism was seen to lead to economic dependency and therefore not an option. The example of the Soviet Union, however, encouraged Syria as numerous other third world states to find alternative development models.[627] Regarding these gains from the external environment, Hinnebusch says that state-driven development in Syria was mainly the result of bi-polarity in world affairs.[628] Ba'athist socialism was nevertheless a particular Middle Eastern form of socialism, not imported. Ba'athists before Hafez engaged in tactical alliance with communism[629], and adopted some Leninist features, "such as stifling of free expression, the emergence of all-powerful security services, the abandonment of political pluralism, the adoption of a one-party regime; and some of this at least was perhaps attributable to the Soviet model"[630] The Ba'athism of Asad, that became dominant from the 1970s was, however, not to please the Soviets. On the contrary, Hafez was very sceptical of overly intimate relations that would have undermined Syrian national security as discussed in chapter 3.1. Syrian socialism and its state structure were very home-grown.

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[627] Hinnebusch, *Syria: Revolution from Above*, p. 38.
[628] Hinnebusch, Raymond. "Syria". In Tim Niblock and Emma Murphy (Eds.), *Economic and Political Liberalization in the Middle East*, London, New York: British Academy Press, 1993, pp. 177-202, p. 198.
[629] Seale, "Syria", p. 55.
[630] Seale, "Syria", p. 59.

However, the alliance with the Soviets gave means for the state to impose authoritarianism in the form of aid, trade, military assistance and military protection as noted in earlier chapters, in the context of influence on war preparation and the fiscal environment. The argument presented here is that direct influence of a superpower to Syrian political system was marginal.

Neither does the lack of engagement with the US and the EU during the Cold War appear to have influenced Syrian authoritarianism significantly, at least not much more than the authoritarianism of other Arab countries. The US engagement during the Cold War did not prompt democratic developments in the Middle East. However, in a comparative perspective, the countries that had a similar strategic position to Syria in their opposition to Israel, such as Jordan and Egypt, proceeded further in their political reforms than Syria after their engagement with the US, and were slightly less authoritarian. Egypt, as the country that took most the substantial steps in economic reforms and opening the space for civil society already during the Cold War, took these steps primarily due to the domestic imperative. War preparation and particularly the war of 1973, were economically devastating to Egypt and balancing the economy required domestic resource extraction[631] and a new approach to civil society and the private sector. The US engagement that followed and ultimately led to a peace agreement with Israel in 1979 further accelerated reforms. As demonstrated by the cases studied by Delacoura, the external influence was modest, but a domestic rationale was needed. In other Arab states allied with the US, the political openings were almost non-existent.

After the Cold War, the US promoted the spread of democracy world wide. In the Middle East, the US achieved unforeseen hegemony after the Gulf war against Iraq. The global mission of spreading democracy did not, however, apply to the US strategy in the Middle East. The US policy after the Gulf war was to engage with Arab regimes, considered moderate, such as Jordan, Egypt and Saudi-Arabia to counter threats from non-US-allied

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[631] Barnett, *Confronting the Costs of War. Military Power, State and Society in Egypt and Israel*, p. xi.

regimes considered "rouges", Syria, Iraq, Iran and Libya, against which coercion policy was used. This was done in order to safeguard the main interests, namely Israeli security, flow of oil and regional stability, particularly in terms of a rise of a regional hegemonic power that could challenge the US position. The regional stability considerations led to a pact with the moderate considered regimes, in which the US did not push domestic reforms in return for support for US regional aims. In return, the US pushed for peace in the Israeli-Palestinian conflict. Another consideration that influenced the lack of interest for democracy promotion in these Arab states was a fear of an increase in Islamist radicalization and threats to domestic stability.[632] Because of this policy, the US actually contributed to the continuation of authoritarianism in the Middle East.

The engagement policy did, however, lead to some changes in the domestic economic and political systems that could be considered small moves towards liberalization. Most Arab non-oil producers experienced a debt crisis that led them towards more or less urgent economic adjustment or restructuring. Countries such as Jordan had no choice but to take the golden offer of economic restructuring packages offered by international creditors, the US and the EU. The conditionality of the aid provider together with domestic necessity for economic reforms created some moves of tactical liberalization. Some political liberalization also occurred, also because of the domestic necessity of seeking a new power balance after economic reforms and for the perception of the external actor. For example, as political relations deepened with the EU and association agreements were signed, the engagement also led to the adoption of a number of political steps in Jordan, most often however tactical, and often referred as "window-dressing" of democracy. Overall, steps were taken in the region from authoritarianism to semi-authoritarianism in the 1990s.

The Arab countries that did not primarily engage with the US, such as Syria, Iraq and Libya, were mainly treated with a policy of coercion or with a very

[632] Indyk, "Back to the Bazaar", p. 77.

low level of engagement at the most. These states had similar economic needs as the other Arab states after the exhaustion of their state-driven development models, war preparation and war waging but they did not turn to the Western donors. Iraq moved to increase its revenues with Kuwaiti oil through the occupation,[633] and Libya survived on its own oil income as did Syria.[634] In Syria's case, expenses were cut in militarization and some short term reforms were executed without external interference.

After the Cold War, the Syrian political system did not therefore experience a move from socialism to liberalism. Syria did not engage intensively with the US and the EU. The lack of deeper engagement was due to the fact that the security environment and need to keep the bargaining cards for the struggle with Israel dominated over Syrian economic needs to such an extent that no matter how necessary, deeper Syrian engagement with the US and the EU would not have been possible. Despite the peace negotiations, there was no peace that would have most likely have contributed to engagement with the Western powers. Although most Arab countries concluded association agreement negotiations, Syria remained outside the process, also on the basis of the need to maintain sovereignty over economic decisions. Syria did not take almost any steps towards economic liberalization or engage in any window-dressing for democracy as in many other Arab countries.

From the end of 2002, as a result of the events of 9/11, the US Middle East policies witnessed a dramatic change. Promotion of democracy in the Middle East became an integral part of US policies in the region.[635] The EU joined the song and lifted democracy promotion higher up on the agenda,

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[633] Tripp, *A History of Iraq*, pp. 251-252.
[634] St John, Ronald Bruce. "Book Reviews". *Middle East Journal*, Autom 93, Vol 47, Issue 4, p. 711.
[635] See for example Burnes, William J, *Rebuilding Hope: American Middle East Policy in the Years Ahead.* Remarks to the Baltimore Council on Foreign Affairs. Baltimore, 8. November 2002. Wolfowitz, Paul. *Bridging the Dangerous Gap between the West and the Muslim World.* Monterey, 3. May 2002. Haass, Richard N. *Towards Greater Democracy in the Muslim World.* Remarks to the Council on Foreign Relations, Washington D.C, 4. December 2002. Bush, George W, *President Discusses the Future of Iraq.* American Enterprise Institute, Washington D.C, 28. February 2003. Later the US democratization initiative got a form of the Middle East Partnership Initiative (MEPI).

especially with its Mediterranean partners.[636] The reform demands by these most powerful international actors had a clear effect on the allies, who were reminded of their right to sovereignty, along with their criticism for connecting democracy promotion with the military invasion in Iraq. In the end, however, they engaged in rhetoric flirtation with democracy and economic liberalization and undertook some reforms. All these reforms had a domestic rationale, but their intensification demonstrated a need to lend the appearance of reform-mindedness to the external actors.

For example, Saudi-Arabia intensified its reform process. National dialogue conferences were set up in 2003, and first municipal elections held in 2005. Jordan held long-awaited elections in 2003. Egypt experienced some liberalization and allowed more than one candidate in the presidential elections. The reform moves in Egypt have been analyzed as a result of US pressure among liberal and Islamist opposition.[637] Lebanon was also considered to have increased its democracy along with its sovereignty through the elections that followed Syrian withdrawal from the country.[638]

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[636] Much of the European policy change appeared in form of re-thinking of priorities within the Barcelona-process. In March 2003 EU however presented " Wider Europe" or the "New Neighbourhood policy", which gave new emphasis on democratization. In May 2003 the EU commission also published a paper called *Reinvigorating EU Actions on Human Rights and Democratization with Mediterranean Partners.* A Paper entitled *Strengthening the EU's Partnership with the Arab World,* published in December 2003 continued the debate. European Commission. *Reinvigorating EU actions on Human Rights and Democratization with Mediterranean Partners. Strategic Guidelines.* Communication from the Commission to the Council and the European Parliament. Brussels, 21. May 2003. Council of the European Union and European Commission. *Strengthening the EU's Partnership with the Arab World.* Brussels, 9. December 2003.

[637] Interview with Hisham Kassem, Ghad-party member and editor-in-chief of al-Misrii paper at the time, Cairo, 28. November 2004. Interview with Saad Eddin Ibrahim, a prominent Arab sociologist and a political activist, director of the Ibn Khaldun Center for Development, Cairo, 23. November 2004. Interview with a civil society activist close to the Muslim Brotherhood, Cairo, 23. November 2004. However the regional concerns were far more important than pressure for reforms for the US. Interview with a Western diplomat, Cairo, 18. November 2004. For more on US pressure in Egypt, see Huuhtanen, Heidi, *Role of the International Actors in Promotion of Political Change in the Arab World: Cases of Egypt and Syria.* Report to the Finnish Ministry of Foreign Affairs, The Finnish Institute of International Affairs, 2005, pp. 20-21.

[638] Salem, Paul. *Lebanon at the Crossroads. Building an Arab Democracy.* Saban Center Middle East Memo #7. The Brookings Institution, 31. May 2005.

Civil society became more active across the board, and calls for democracy clearly intensified from the public.[639]

Pressure from the US and the EU, combined with the Iraq war were viewed as having accelerated the political reform moves in general in the Arab world.[640] The engagement policy with democracy high on the agenda clearly managed to accelerate reforms,[641] but again domestic needs determined the moves. For example, in Saudi-Arabia the reforms were crucial for regime stability. Reforms were initialized already earlier for the sake of the need for economic restructuring. After 9/11, there was an urgency to counter the popularity of radical Islam in Saudi-Arabia by steps in state-society relations.[642]

Although the flirtation with liberal reforms continued for the external actors, the reform drive greatly declined soon thereafter. Many countries halted reforms or the political space was narrowed further still. This was because the regional security situation became tenser, there was an increase in the Islamist threat since the Iraq war, oil prices had risen and economic restructuring was less urgent. This happened, for example, in Jordan, whose fragile position neighbouring Iraq was compounded by the radical Islamist threat from across the eastern border and continuing *Intifada* across the western border. These factors prompted the regime to take steps back with their reforms that had begun in 2002, leading to a deteriorating situation as far as political freedoms and participation are concerned.[643] Saudi Arabia

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[639] Shelby, David. *Civil Society Groups Call for Reforms in Mideast, North Africa*, USINFO, 9. December 2004.

[640]On effects of the Iraq war on reform debate for example in Egypt, see also *The Challenge of Political Reform: Egypt after the Iraq War*. International Crisis Group, 30. September 2003.

[641] See for example *The Experience of Political Reform in the GCC States: Evaluation and Analysis*. Conference Report. Carnegie Endowment of International Peace, 16-17. November 2005.

[642] "Can Saudi-Arabia Reform Itself". *Middle East Report No 28*, International Crisis Group, 14. July 2004. For example in Bahrain, the reforms were seen as a result of an elite-change. Wright, Steven. "Generational Change and Elite-driven Reforms in the Kingdom of Bahrain". *Durham Middle East Papers*, University of Durham, June 2006, p. 25.

[643] Choucair, Julia. *Illusive Reform. Jordan's Stubborn Stability*. Carnegie Paper No. 76, Carnegie Endowment for International Peace, December 2006.

was one of the examples of countries in which the increase in oil revenues was estimated to have reduced the need for reform.[644]

In Libya, the shift in foreign policy and US engagement did not yet produce any political reforms.[645] As the regional security deteriorated, Iraq failed to stabilize, Iranian influence increased, the nuclear drive continued to concern the US and its allies and the domestic situation in Lebanon deteriorated after the Israeli attacks, democracy promotion clearly became consigned to the background.[646] In the end, the few years of intense democracy promotion did not produce much more than rhetorical flirtation, window-dressing, and tactical liberalization - in other words, steps to semi-authoritarianism at best.

In addition to the democracy promotion policy, the other major change in the Middle East strategy was that coercion policy in all its forms intensified against the "rogue regimes", leading to war against Iraq and US-alliance with the new Iraqi regime, a turn of course by Libya in 2003 leading to closer relations with the US, and intensified coercion against Syria and Iran. Again, coercion did not influence the political systems of these countries in a positive direction. Iraq is more democratic but experiencing a level of internal violence reflective of a civil war. Libya continued with the domestic *status quo*. In the Syrian case, the tougher the US coercion, the less Syria pursued reforms.

The following table aims to map and conclude the linkage between engagement/coercion and the level of authoritarianism in the Arab states. The first table shows that during the Cold War, level of authoritarianism was high in general, regardless of the engagement partner. The notable exception is Egypt, in which some minor domestic reform drive appeared. The second table shows that after the Cold War, reflecting the hegemonic position of the US, if a country was engaged with the US, as Jordan, Egypt and Morocco were, there were domestic reform initiatives and moves in a semi-

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[644] Ottaway, Marina. "Tyranny's Full Tank". *The New York Times*, 31. March 2005.
[645] *Country Report, Libya (2006)*. Freedom House, 2006. See also "Slow Change in Libya". *The Economist*, 9. March 2006.
[646] Interview with a European diplomat, Brussels, 9. October 2006.

authoritarian direction. Countries against which the US used coercion remained authoritarian. The last table demonstrates that from the year 2000, the reform drive accelerated in more Arab countries. Now also the Gulf countries had a domestic rationale and external pressure to pursue political reforms. The domestic rationale and EU engagement in Syria's case brought a modest reform pace to Syria. Notable exceptions are Tunisia and Libya, in which reforms did not appear, despite engagement policies by the US and the EU. Again, the domestic rationale there was lacking.

Table 71: Alliances and authoritarianism in the Arab world

Alliances and authoritarianism in the Arab world during the Cold War

Country	Traditional engagement partner		Domestic reform drive	Level of authoritarianism
	U.S.	U.S.S.R.		
Syria	-	X	-	high
Jordan	X	-	-	high
Egypt	X [647]	-	(X)	semi [648]
Morocco	X	-	-	high
Iraq	X [649]	X [650]	-	high
Tunisia	X		-	high
Libya	-	X [651]	-	high
Saudi-Arabia	X [652]	-	-	high
Small Gulf states	X	-	-	high

Alliances and authoritarianism in the Arab world in the 1990s

Country	Traditional engagement partner		Domestic reform drive	Level of authoritarianism
	U.S.	EU		
Syria	-	-	-	high
Jordan	X	X	X	semi
Egypt	X	X	X	semi
Morocco	X	X	X	semi
Iraq	-	-	-	high
Tunisia	X	X	-	high
Libya	-	-	-	high
Saudi-Arabia	X	X	(X)	high

[647] U.S. from 1972 onwards.
[648] Semi-authoritarian since the 1970's.
[649] U.S. during the 1980's (Iran War).
[650] U.S.S.R. during the 1970's and 1980's (Iran War).
[651] U.S.S.R. since the early 1970's.
[652] U.S. since the 1950's.

Small Gulf states	X	X	(X)	high

Alliances and authoritarianism in the Arab world since 2000

Country	Traditional engagement partner		Domestic reform drive	Level of authoritarianism
	U.S.	EU		
Syria	-	X	X	high
Jordan	X	X	X	semi
Egypt	X	X	X	semi
Morocco	X	X	X	semi
Post-Saddam Iraq	X	X	X	low
Tunisia	X	X	-	high
Libya	X [653]	X [654]	-	high
Saudi-Arabia	X	X	X	high
Small Gulf states	X	X	X	high

The Syrian case from 2000 is indeed a fascinating example of the effects of the use of engagement and coercion. First, Syria faced coercion from the US and engagement from the EU. The US exerted pressure on Syria through a combination of its regional military presence, political pressure and economic sanctions. EU-Syrian relations, on the other hand, were enhanced gradually and intensified by progress in the signing of the association agreement in autumn of 2004.[655] From 2000, there was a drive for reforms in Syria, deriving from domestic needs. The positions of the transatlantic partners moved significantly closer, as the EU joined US efforts to demand Syrian withdrawal from Lebanon at the end of 2004. The EU slowed down the process of negotiating the association agreement, finally freezing the process of signing the readily negotiated agreement. From spring 2005 to winter 2005-2006, the coercion intensified to an unprecedented level.

How did engagement and coercion affect the reform drive and the political system in Syria? In essence, between 2000 and autumn of 2004 (or at least by the end of 2005) the approaches of the US and the EU should have been

[653] U.S. allied from 2003 onwards.
[654] EU allied from 2006 onwards.
[655] The US was unhappy with the EU engagement with Syria all along. According to an interviewed Western diplomat, t he US wished the EU to adopt a tougher position to bring about changes in Syrian foreign policy and help force it to comply with US demands. The US didn't see the EU's association agreement with Syria as the best interest of the US. Interview with a Western diplomat, Damascus, 10. August 2004.

pushing domestic reforms in different directions. However, it can be argued that this combination of pressure and engagement was beneficial to domestic change. The EU policy of engagement has worked in Syria precisely because of the existence of US pressure. Syria was interested in EU cooperation mainly for economic reasons and because it was in need of allies. The US coercion pushed Syria to engage more deeply with the EU.

The progress on the association agreement itself between the EU and Syria appears to have significantly contributed to reforms. It seemed to be beneficial for the reformists and the president in pushing through economic and political reforms.[656] President Bashar used the agreement as a tool to push through changes that would otherwise have been subject to an intense domestic power struggle. The agreement was also used as a roadmap with specific steps and plans. The association agreement was indeed the only concrete tool for, and declaration of principles and aims of, reforms. As a Syrian foreign ministry official put it: "The new leadership found that the association agreement is a very good instrument for reforms economically and politically. That is why efforts were accelerated."..."The association agreement is a medicine...a way to enter a new phase in the modern world."[657]

Still, the simultaneous coercion prior to autumn of 2004 from the US appears to have accelerated the reforms. According to some Syrian and international analysis, the general political pressure for reforms in the Middle East accelerated the process of change in Syria. External pressure seemed to work and things seem to have moved at a faster pace in Syria since the Iraq war.[658] There seemed to be a clear awareness that the world is watching. As one European ambassador put it, "Nobody is saying that we will turn a page from authoritarianism to democracy, but it will happen." According to the ambassador, developments will proceed without a clear strategy or even an announcement that former principles are to be

[656] This is a widely-held view among European diplomats, Syrian officials and Syrian intellectuals.
[657] Interview with a Syrian official, Damascus, 3. August 2004.
[658] Interviews with international observers and Syrian civil society activists, Damascus, 6. December 2004.

abandoned.[659] There was still a positive mood regarding domestic reforms as late as the end of 2004, although the EU association agreement talks had already halted, but the EU still maintained constructive relations with Syria. It seems that the halt of reforms came fully into being from the Hariri investigation at the end of 2005 when the relations with the EU entered a temporary freeze.

The Syrian responsiveness to engagement was clearly due to the domestic needs for reform.[660] The regime pushed for top-down reforms. However, the coercion policy of the US hindered the agenda of reformists in the government, and allowed hardliners room to manoeuvre. As already concluded in the previous chapter, the coercion policy caused an intensification of intra-elite conflict. In addition, the tense external environment also affected the situation of Syrian reformists in civil society. For example, as a result of the Iraqi war, the situation for civil society in Syria deteriorated and the movement was isolated.[661] The greater the regional turbulence, the less space there was for civil society actors.

Gradually, from 2005 and certainly from December 2005 as the pressure on Syrian foreign policy intensified and coercion policy was exercised both by the US and the EU, the process of reform halted.[662] External pressure seemed to demand domestic stability and coherence at home to maintain regime security. As regional pressures on Syria intensified, domestic reforms were halted or postponed.

In conclusion, it seems that external actors can promote indeed democratization if they use constructive engagement. There must exist a domestic rationale and drive for reforms, however, in order for the external actors to have influence. Engagement dilutes foreign policy pressures and gives a more comfortable position for the regime to concentrate on risky

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[659] Interview with a European diplomat, Damascus, 8. December 2004.
[660] Ibid; also interview with a European diplomat, Damascus, 4. August 2004.
[661] Interview with a Syrian intellectual, Damascus, 18. August 2004. Interviews with European diplomats, Damascus, 4. August 2004 and 18. August 2004.
[662] Al-Taqi, Samir. Member of the Syrian Strategic Committee. An interview on the Finnish TV channel YLE, 16. March 2005. Tabler, Andrew. "Lebanon's Crisis is Harming Syria's Difficult Reform Effort." *The Daily Star*, 12. March 2005.

domestic reforms. Engagement also provides tools for concrete democracy promotion. Combined with reform initiatives of the regimes, the external actors have the ability to offer conditional aid and raise issues in dialogue.

This is of course only applicable in cases where the external actor wishes to promote democratization. The USSR had little influence on domestic orientation in the Middle East. During the Cold War and after there was no real interest by the US or the EU to promote democratization in the Arab countries. During this time, US policies actually had the effect of promoting authoritarianism in the Middle East in general. If there was support for reforms as in a few cases, such as Egypt and Jordan, US engagement influenced some domestic reform processes positively, but only to an extent that led the countries towards a semi-authoritarian path. Only after the US u-turn in 2002 to support reforms in the Arab countries, have there been vocal calls and policies to promote democratization. This accelerated some domestically motivated reforms temporarily in several Arab countries, until the tense external security environment after the Iraq war halted most of the reforms. The EU did not push democratization forcefully in the Arab world either, but the association agreements seem to have had a clear influence on the pace and direction of top-down economic and political reforms in some Arab states and in Syria.

Based on the empirical analysis, engagement clearly brings more results than coercion. Coercion does not bring democratization. On the contrary, because coercion policy affects the external security environment of the state negatively and often directly aims to attack the regime, the states react by boosting the state and regime security by all available means. This does not give room for civil society to rise against the regime to push for bottom-up reforms. In these circumstances, the state does not push for possibly unbalancing top-down reforms either, with the exception of such reforms that would also in the short term enhance regime and state security. This is very evident in the Syrian case. The Syrian case also shows that coercion can only push a country to engage with another external actor that can promote reforms, as was the case with the US coercion and EU engagement

in Syria. Dual coercion by both the US and the EU has not brought results. On the contrary, at least in the Syrian case, a dual coercion policy has instigated a setback, given that it pushed the state to concentrate on boosting regime security.

Indeed the most effective external reform promotion was produced by the combination of US coercion and EU engagement in the Syrian case, together with domestic necessity for reforms. Engagement with the EU has influenced the pace, intensity and direction of the reforms. In other words, the constructive engagement by the EU has had an influence on top-down reforms in the Syrian case.

Influence of direct democracy support

The US and EU policies of promoting bottom-up economic and political reforms in Syria have differed according to their different policies towards Syria in general. Engagement gives tools for direct democracy promotion, whereas coercion leaves fewer tools. The EU has engaged in some direct democracy promotion, whilst the US coercion policy has made concrete reform promotion almost impossible due to its self-imposed sanctions policy and legal restrictions that prohibit governmental projects in Syria.[663] The difference is significant. Whilst the EU has had specific policies for Syrian engagement in the context of the Euromed-partnership, the New Neighbourhood Initiative and the Strategic Partnership, pushed forward in practice by negotiations for the association agreement and other political dialogue, the US coercion policy left it with very few tools outside the use of primarily political rhetoric.

[663] Interview with a Western diplomat, Damascus, 10. August 2004. Because Syria is included in State Sponsors of Terrorism List, it has been impossible to donate US foreign aid to Syria. However this was later changed by law (Consolidated Appropriations Act 2005) that authorizes funding of promotion of democracy and human rights in Syria. "Syria: Political Conditions and Relations with the United States after the Iraq War", *CRS Report for Congress*, 10. January 2005.

Despite the tools available, the EU has not promoted democracy in Syria on a larger scale. In the early years of cooperation, conditionality was used once as European aid was frozen in 1991 because of human rights abuses.[664] The Barcelona process in its first five years from 1995 did not enhance the EU's engagement with Syria on democratization and human rights issues. With all Mediterranean partners, the EU focused on the lowest common denominator, mutually shared interests, in order to keep the framework in place and slowly deepen the engagement. Therefore, the real actions were in the field of economic reforms and in the process of negotiation of bilateral association agreements. Economic reforms were also seen as the best route to promote democratization.[665] This was also the case for Syria, which was the latest country to engage in serious negotiations with the EU. The relations deepened only slowly after 2000. As the Barcelona process has been, indeed, only a set of principles, concrete democracy initiatives, cooperation or dialogue has been difficult to implement before the association agreements are signed with the Mediterranean partners. Given the lack of Syrian interest in engagement and the lower priority of democracy promotion for the EU, the tools for the EU to promote domestic reforms in Syria have been few. During these years, the tools of the EU to bring up issues related to democracy and human rights were diplomatic demarches and attending human rights trials on a case-by-case basis.[666]

The democratization issues were not off the table for the EU, but neither were they at the core of EU-Syrian relations, just as they were not at the core of relations with other southern partners. This is highlighted by figures on spending on democratization. The EU Commission distributed only 14% of its democracy and human rights aid to the Mediterranean between 1996 and 1999. This indicates that the Arab states were hardly a key area for these EU efforts. During this period, the EU had 306 projects in Mediterranean partner countries, encompassing 27 million euros, which were mainly concerned with human rights, women's rights and press freedom. More

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[664] Ibid.
[665] Youngs, Richard. "The European Union and Democracy in the Arab-Muslim World". Working Paper No. 2, *CEPS Middle East & Euro-Med Project*, November 2002, p. 14.
[666] Interviews with European diplomats, Damascus, 4. August and 5. August 2004.

indicative of the lack of financial support from the EU for reform promotion is the fact that of all EU aid to the region only 2% was allocated to human rights and democracy, which was significantly less than the amount devoted to family planning and drugs. Despite the increase in rhetorical support for political reforms in 2002, the concrete funding was still small in the Arab world. Only 7% of the funds from the European Initiative for Democracy and Human Rights were used for reform promotion in the region.[667]

The cautious policy of democracy promotion was also reflected in the strategies and types of projects. Generally in the Arab world, the EU has pushed for political reforms in practice through capacity-building and civil society support. Support for democracy projects and civil society actors have, however, been modest. The low-profile approach has allowed the EU to pursue two goals simultaneously: they can support their long-term goal of bringing about democracy without endangering their short-term goal of ensuring security.[668] Most of the projects have dealt with issues such as women's rights, human rights and press freedom.[669] Thus, the EU has refrained from engaging directly in overtly political areas of democracy promotion in the Arab world in general. In the years up to 2000, there were only four EU MEDA projects in Syria. They were 'first step projects' for collecting information on the political situation, women's economic empowerment and inter-religious dialogue.[670]

From 2000, relations between the EU and Syria deepened gradually until the deterioration from the moment of the Hariri crisis 2005-2006. During the first years, the engagement did not bring anything new to democracy promotion. The more intense negotiations on the association agreement started in 2002 and ended in autumn 2004. This era could have given the EU additional tools for democracy promotion in Syria, especially as the new president had committed to a certain degree of political reforms. This also coincided with the increased importance accorded to democracy promotion

[667] Youngs, "The European Union and Democracy in the Arab-Muslim World", p. 16.
[668] Ibid, pp. 8-9.
[669] Ibid, p. 16.
[670] Ibid, p. 22.

in the Middle East more broadly. The most important contribution of the EU engagement in Syria towards reforms was evidently the use of the agreement negotiations as a "road map" for economic reforms in particular, as discussed in the earlier chapter. The assistance for economic reforms was also emphasized in EU-funded projects in Syria.[671]

In addition to this, the contribution was not very large, partly because of the sensitivities related to the association agreement talks and the unwillingness of the EU to use political pressure for reforms, and partly as a result of the Syrian unwillingness to allow the EU to raise the issue of political reforms.[672] There was really no political dialogue on political reforms. Importantly, the issues of human rights and democracy were never raised with the Syrians by the EU during the preparation of the association agreement. Political dialogue on civil society and human rights issues would officially only start after the signing of the agreement. By the time of the end of the negotiations on the agreement in autumn 2004, however, the mood within the EU was pessimistic on starting any significant political dialogue between the parties, due to Syrian objection.[673] Support for human rights, civil society and rule of law was the fifth priority area of the EU in 2002-2006, but no projects in this field were assigned for 2002-2004.[674] The EU, however, had a handful of small projects ongoing in 2004. There were 7 MEDA projects concerned with prisoners and women's rights. There were also smaller projects on electoral awareness and voter registration. However with regard to projects, there was evidence already in 2004 that the Syrians were more willing to enhance civil society formation in order to meet the EU demands and give an image of an opening up in Syrian affairs. This also provided the Syrians with new means for controlling civil society funding. It was considered that the positive response to civil society funding was likely to increase with the entry into force of the association agreement.[675]

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[671] *Euro-Med Partnership, Syria. Country Strategy Paper 2002-2006 and National Indicative Programme 2002-2004.*
[672] Interview with a European diplomat, Damascus, 4. August 2004.
[673] Interview with a European diplomat, Damascus, 5. August 2004 and 8. December 2004.
[674] *Euro-Med partnership, Syria. Country strategy paper 2002-2006 and National Indicative Programme 2002-2004.*
[675] Interview with a European diplomat, Damascus, 5. August 2004.

There has been some political dialogue between the EU, the member states and Syria on reforms. For example, the European governments pressured Syria on its nationality law, which leaves large numbers of Palestinians and Kurds without citizenship.[676] The Syrian parliament debated the issue, which in itself can be seen as a victory for the Europeans, but it was known, unofficially, that the Ministry for Interior was not going to move on the issue.[677] This reflects the true nature of European leverage. For the sake of good relations, the Syrians create an image of change and responsiveness, but there were clear red lines, and the relationship with the EU will not change Syrian politics, laws, or the balance of power significantly if there is no domestic rationale for reform. Later there were unconfirmed reports that Syria would consider offering the Kurds citizenship, but this has not yet materialized.[678]

Despite the new political capital related to deeper engagement and various declarations that highlighted need for political reforms in the Middle East, the EU had very few projects promoting human rights and democracy in Syria from 2002. In fact, only Algeria, Tunisia, Israel, the West Bank and Gaza, and Iraq were selected as target countries for assistance in the form of EIDHR funding.[679]

Policies and projects supporting economic and political reforms organized by international actors have been very limited in number and scale due to the difficult working conditions. The reasons for a lack of concrete democratization promotion even by the EU are understandable by the lack of regular political dialogue on the issue and problems in implementing concrete projects.[680] The EU provided assistance in areas that were pre-selected by the Syrians and jointly agreed by Syria and the EU. This clearly

[676] Interview with a European Ambassador, Damascus, 8. December 2004.
[677] Interview with a Syrian civil society activist, Damascus, 6. December 2004.
[678] "The Media Line: Syria to Grant 300,000 Kurds Citizenship", *Arabnews.com* 30. January 2006. "Al-Assad Meets Tribes of North Syria, Syrian Nationality for 100,000 Kurds", *Arabnews.com*, 16. May 2005. "Syria to Grant 300,000 Kurds Citizenship", *Kurdish media* 29. January 2006.
[679] Youngs, "The European Union and Democracy in the Arab-Muslim World", pp. 22-23.
[680] Interview with a European diplomat, Damascus, 4. and 5. August 2004.

prevented the EU from supporting sectors and actors that are outside the government's control. Another significant problem for the implementation of projects has been the small number of NGOs in Syria. Many movements are not registered as NGOs but informal networks, in order to avoid some of the government's restrictions. One strategy of the EU Commission has been to support Syrian efforts to create "parallel structures", such as various "committees", such as the Family Committee.[681] All the international actors face the same problem when it comes to supporting civil society in Syria: there have been no independent civil society actors with whom they could engage with, only government-created groups that are very wealthy and, therefore, do not need financial support. The few independent groups that do exist suffer from restrictions limiting their contacts with international actors.[682]

Some member states also have projects in Syria. Generally, the projects of the member states concentrate on issues that are largely apolitical and make only an indirect contribution to democracy promotion, such as women's issues, the environment and health issues. Many EU members prefer to concentrate on economic reforms. Some projects also exist in more political areas. For example, the British have had projects on freedom of speech, human rights and citizenship issues. The freedom of speech component included an investigative reporting reward, workshops for journalists and English training of journalists. The work on human rights was concerned with supporting the quality and independence of the judiciary and provided lectures on international human rights. The citizenship project held seminars to introduce the wider concept of citizenship into the school curriculum. These projects were ongoing in summer 2004, and there were plans for more projects with the media, economic reforms, and human rights.[683]

Many of the democratization projects of the EU, as well as the US in the Middle East are implemented by NGOs, institutions or non-profit making

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[681] Interview with a European diplomat, Damascus, 4. August 2004.
[682] Interview in an American NGO working on reforms in the Arab world, Washington D.C, 29. March 2006.
[683] Interview with a European diplomat, Damascus, 7. December 2004.

organizations in order to promote democratic values and establish contacts with liberal civil society institutions. European and US governmental development agencies (such as Danida and the USAID) work within a broad donor community, which also includes multilateral development agencies (such as the World Bank and the UNDP), independent democracy foundations (such as the American National Endowment for Democracy NED), national political and party foundations (such as the Ford Foundation, Conrad Adenauer Stiftung, Friedrich Neuman Stiftung, Friedrich Ebert Stiftung) and other non-profit advocacy groups.[684] Of these different advocacy groups, American non-profit organizations have had the largest role as donors. All the non-governmental groups are funded by government contracts and grants and are, therefore, directly linked to the foreign policies of their respective states. It has been estimated that these actors were responsible for up to 600 projects promoting democracy in the Arab world during the 1990s. Traditionally, most projects have been in Egypt and Jordan, with very few in Syria. Of these institutions and others, Washington-based NED, for example, has a number of projects within Syria. It is a non-governmental organization and therefore not bound by laws that prohibit state actors' activities. NED projects in Syria include one civil society strengthening project, one election monitoring project and one NGO management training project.[685] In other countries, NED also conducts media training and advocacy campaigns, but these are not possible in Syria.[686]

Since 2005 the EU, after the halt of the signing of the association agreement, and after the EU pressure on Syria regarding Lebanon, has been more open in its demands for pushing for reforms in Syria. The National Indicative Programme 2005-2006 lifted civil society support to a new priority area. According to the plan, there was to be "institutional support to develop a more supportive institutional framework and to improve the operational

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[684] The following draws on findings in Carapico, Shiela, "Foreign Aid and Promoting Democracy in the Arab world", *Middle East Journal*, Vol. 56, No. 3, Summer 2002.
[685] Election monitoring of elections is allowed in Syria if observers monitor for a candidate. NED provides education in monitoring and basic funding of operations.
[686] Interview with a NGO activist, Washington D.C, 29. March 2006.

environment of the civil society organizations" with 2 million euros, encompassing 2.4% of the entire EU aid to Syria. The EU planned concretely to assist in capacity-building, training and support for civil society activities, specified for example in the fields of poverty reduction, environment protection, basic services, human rights and community-based development initiatives. The document is also more direct regarding the lack of political reforms in Syria. It notes that projects on private sector support and administrative support are advancing, but the projects are severely hindered as a result of the slowdown of Syrian reform efforts.[687]

Significantly, Syria accepted this document that placed significant emphasis on civil society during a time when the position of the old guard and the president seemed arguably closer, and reforms in the political and social sphere were not really advancing. Syrians allowed the projects first in paper, and in their political rhetoric they supported the civil society initiative.[688] The responsiveness from the Syrian side to the EU continued although the relations were deteriorating. The mood was positive before relations deteriorated, with Syria even agreeing to human rights dialogue with the EU within the cooperation emphasized in the association agreement. This is very significant because the EU has regular human rights dialogue with only few countries, such as Morocco and Jordan.[689] This clearly reflected the Syrian need to maintain its engagement with the EU. After the National Indicative Plan was agreed mutually with the EU and Syria, ever since overall relations deteriorated from winter of 2006, the Syrian regime became increasingly suspicious of civil society-related issues and foreign interference. This happened in conjunction with the onset of regime change rhetoric from the US and the isolation and coercion policy exercised by the EU. It also coincided with the threat from external opposition, especially Khaddam, to the regime and a threat to regime security and sovereignty

[687] European Commission. *Syria. The National Indicative Programme 2005-2006*. Brussels, 14. October 2004.
[688] Interview with a European diplomat, Brussels, 9. October 2006.
[689] Interview with a European diplomat, Brussels, 10. October 2006.

posed by the UN-investigation. Civil society was equated with opposition to the regime more than ever before.[690]

This had affected the EU's civil society project in such a way that planned and mutually agreed projects did not start. From 2005 there were plans for MEDA-funded projects to support work on legislation for NGOs, institution building and NGO support. These never materialized. The training centre for civil rights by Anour al-Bunni was closed soon after its opening. There were also plans for 6 EIHRD funded micro-projects with a budget of 500,000 euros, but since 2006 only 2 projects have been running.[691]

The restrictions on foreign civil society support also became tighter. Before, NGOs were entitled to foreign funding if their projects were accepted and authorized by the ministry responsible for social affairs. This way the government was able to control foreign funding for civil society. According to a European diplomat, from the beginning of 2006 the Syrian regime saw civil society support as foreign interference for support of opposition to overthrow the government. From spring 2006 onwards, all projects were required to gain acceptance from the Ministry for Foreign Affairs.[692]

Clearly, the shift to side with the US coercion policy by the EU significantly lowered, if not completely evaporated, its ability to push for political reforms. Syria halted all political reforms following the intensification of external pressure. Although Syria has continued with its economic reform policies, according to estimates, the external pressure has hindered pursuit of these reforms as well.[693]

Since the relations deteriorated further, interestingly enough, the EU demands for democratization in Syria simultaneously intensified further. The EU continued to follow human rights trials and used demarches on

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[690] Interview with a European diplomat, Brussels, 9. October 2006.
[691] These were with registered NGO's working with street children and with a non-Syrian organization training in Palestinian camps on defending their civil rights. Interview with a European diplomat, Brussels, 9. October 2006.
[692] Interview with a European diplomat, Brussels, 9. October 2006.
[693] Interview with a European diplomat, Brussels, 9. October 2006.

human rights abuses, although its diplomats were often not given an audience at Syrian ministries. Human rights issues were also raised in all speaking notes during official visits.[694] The theme of political reforms has also featured more prominently in the publicly stated interests of the EU in Syria. On its web pages, the European Commission places high emphasis on democratization and human rights in conjunction with the association agreement, mentioning them even before economic issues. "The Association Agreement will establish a regular political dialogue between Syria and the EU aimed at a better understanding of each other's positions on important political issues. Human rights and democracy are universal values and dialogue on these subjects will constitute an essential element of the partnership. Creating a free trade area around the Mediterranean by 2010 is also a key objective of the Agreement."[695]

In contrast to the EU, the US had very little capabilities for democracy promotion in Syria. The main tool of the US in democracy promotion, the Middle East Partnership Initiative (MEPI) was constrained by the US law that prohibits donating US aid to Syria based on the Syrian inclusion in the State Department State Supporters of Terrorism List. First, the only existing support from the US to Syrian democratization was a five million dollar democracy promotion donation to the Syrian opposition. Similar money has been promised to Iranian opposition. According to an American analyst, this support is not even expected to generate results, rather it derives from a need to do something for US domestic reasons. The funds resembled the support given to Iraqi exiles before the US invasion of the country.[696] Later in 2005, however, a new law, called Consolidated Appropriations Act 2005 made it possible to donate grants to projects on democracy and human rights promotion inside Syria as well.[697]

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[694] Interview with a European diplomat, Brussels, 10. October 2006.
[695] European Commission web-pages.
[696] Interview with an American analyst, Washington D.C, 28. March 2006.
[697] "Syria: Political Conditions and Relations with the United States after the Iraq War", *CRS Report for Congress*, 10. January 2005.

Although the US states that the purpose is to promote democratic reforms, in practice the announcement of financial support for the Syrian political opposition abroad can actually be seen more as a tool for political pressure on the regime in the Syrian context, rather than actual democracy promotion.[698] Its effect on domestic politics is also not constructive. Rather, it can be added to the measures that have tightened political control inside Syria and made the support by external actors more difficult in promoting democratic reforms, as has been discussed earlier.

Conclusion

As a conclusion, the result of Western democracy promotion policies in Syria has been close to non-existent. This is due to a lack of policies and projects during engagement and also due to the use of coercion, which has made democracy promotion policies and the bottom-up approach highly suspicious to the regime.

The EU bottom-up reform promotion policies have included diplomatic demarches, human rights dialogue, civil society support and capacity-building. The EU did not push for democratization in the Arab countries forcefully, however, before 2002, which is apparent in the very low amount of funding for democracy support for the entire Arab world and in the focus on non-political projects such as women's empowerment and inter-religious dialogue. Even after the vocal democratization demands from 2002, the funding remained low and the projects small-scale. There were basically no projects in Syria before 2000.

Because the association agreement had not materialized, there were very few pro-democracy policies or projects even after 2002. This is due to the fact that the EU did not wish to endanger the association negotiations. There was very little political dialogue and few projects on civil society and human rights by the EU, the member states or the European NGOs. The EU

[698] Interview with an American diplomat, Washington D.C, 29. March 2006.

countries did raise a few issues such as the Kurdish citizenship issue in political dialogue with the Syrians, nonetheless. There was a limited amount of funding given to the few Syrian NGOs, but this was ineffective, because of the semi-governmental nature of these organizations. One innovative way that the EU promoted reforms was the use and support for Bashar's creation of "parallel structures" that act parallel to or instead of official decision making mechanisms at the ministries, in order to widen the scope of people in decision-making and promote efficiency of reforms.

The pro-democracy support combined with coercion only increased authoritarianism. From 2005, when the coercion policy was already used by the EU, the EU assigned 2 million euros for civil society support, which marked the start of a more aggressive democracy promotion. Syria reacted initially positively, because it wished to continue engagement, but as the coercion policy intensified, Syria saw civil society support as an extension of EU pressure against the Syrian regime to promote bottom-up change.

Because of the coercion policy, the US has had very few means to practically promote democratization in Syria. The coercion strategy aimed at promoting bottom-up reform demands by supporting Syrian opposition in exile. This way of democracy promotion was not taken seriously even by the Americans themselves, rather it can be seen as an extension of the coercive policies as oppose to any democracy promotion, and it has increased authoritarianism.

The bottom-up reform promotion by external actors is often seen by the regimes as an attempt to undermine their state power. Because of this and because of the ability of the regimes to dilute the effects of bottom-up reform initiatives, these policies have been unsuccessful. The next chapter will further view how the regimes have reacted to overcome reform demands.

Regime strategies against external democracy promotion

In the Arab world, the effect of external pressure has been small if not minimal during the past few decades. This is logically due to the ability of the state to restrain external influence similarly as it restrains domestic opposition to its rule. Here, the ways in which the state resists external pressure for its position vis-à-vis the society are briefly reviewed. The authoritarian Arab states have created sophisticated strategies for dealing with external actors who wish to support political reforms. The following strategies of the regimes are generally used by Arab regimes in dealing with external actors in reacting to external democratization initiatives:

- Adopting some democratic policies and discourse
- Delegitimizing external actors' efforts as interventions and violations of sovereignty
- Prohibiting concrete projects
- Limiting, minimizing and manipulating the effects of the projects
- Monopolizing projects by government circles or circles close to government

- Adopting some democratic policies and discourse

The strategies of the states vary depending, in particular, on the relationship between the particular state involved and the external powers, and especially on how dependent the particular state is on external aid. Reliance on foreign aid has been clearly identified as increasing at least rhetorical support for democracy and receptiveness to projects by external actors. According to Carapico, "Arab governments that were most reliant on foreign finance adopted some of the rhetorical and symbolic trappings of democracy."[699] This is logically due to the external leverage on economic liberalization that often leads to some minimal political liberalization. This, then again, is due

[699] Carapico, "Foreign Aid and Promoting Democracy in the Arab World", p. 391.

to the domestic need to balance the socio-economic setting that has been shaken because of economic reforms. The receptiveness to external pressure on political reforms has a domestic rationale. With deeper engagement, the external actor also gains more leverage for pressuring the states on variety of issues and states may choose to pursue reforms for some other benefits.

The minimal political reforms are also pursued to resist true democratization. This seems contradictory, but the adoption of some democratic practices, with no true democratization or liberalization has been the most usual tool for the regimes. The democratic features can include for example elections, opposition parties, some level of political competition, freedom of speech, a free media, and civil society formation. These features exist without any ability of the society to change the power relationship to the state, in other words, the state powers are such that there is no scope to change the political power balance and overthrow the ruling regime. Indeed, the essence of the adoption of these democratic features is to promote regime security and ensure the power balance between the state and society. This semi-authoritarian development path has already been noted in the introduction.

In reality, therefore, the dependence on aid and engagement does not necessarily lead to the furthering of democracy, as the semi-authoritarian regime in Egypt has demonstrated, because the image of openness to democratic policies is a deliberate strategy adopted by the regimes. Therefore, the states that are to a varying degree aid-dependent and have a long alliance with the US, such as Jordan, Egypt and Morocco, are not necessarily on a path towards democracy, although these kind of states are more inclined to use strategies that give the appearance of cooperation.

If the regime is not engaged with an external actor that would pressure for democratization, the adoption of democratic features is small or non-existent. In this case, the external actor has had no or very little leverage to influence the regime. There has been no conditional aid for economic reforms and no measures to adopt some democratic practices. The states

have not had to balance their interests. In Syria's case, there has been a certain amount of small initiatives towards political reforms that could have led towards more semi-authoritarian behavioural strategies by the regime – had they been pursued further. These included the discussions on introducing free local elections scheduled for 2007, the creation of new parties and promotion of 'civil society'. The record thus far in practice has been such that Syria has not moved towards semi-authoritarianism, but indeed lately enhanced authoritarianism at least temporarily. The reason for adopting some democratic features in the Syrian case is linked to economic needs that demand economic reforms and integration into the world economy, and therefore needs closer relations to the Western actors and markets. The need to show adaptive behaviour is indicative of a dilemma in Syrian foreign affairs: the readiness and necessity of opening to Western aid and trade in contrast to the need to preserve the playing cards for regional security reasons that prohibit closer ties to the West. As a result, the semi-authoritarian development is non-existent or at least delayed.

- Delegitimizing the external actors' efforts as interventions and violations of sovereignty

Countries more intensively engaged with the US and the EU have, often even simultaneously with the adoption of democratic features, rejected pressure to democratize and the policies of the external actors with this regard. This happened especially after the increase in Western discourse on Arab democracy from 2003. The Arab leaders reacted to democracy demands fiercely on a rhetorical level and delegitimized this as foreign interference. International actors were accused of a degree of intervention that went beyond what had traditionally been acceptable in foreign policy and violated the concept of sovereignty. After the immediate rejections, the policies of delegitimation became combined with statements according to

which reforms were necessary, but the external input was not welcomed. The reforms needed to come from 'within'.[700]

The countries not intensively engaged with the US and the EU have most notably used delegitimizing strategies. For example, Syria has been defensive to external pressure for reforms. The following is a typical example of rhetoric rejecting democracy by Bashar al-Asad, "We should not apply to ourselves the democracy of others." PNF is "a democratic model developed through our own experience."[701] Often the rejection of democracy in Syria also includes Arab nationalist or anti-American rhetoric.[702]

The delegitimation of Western democracy promotion as a violation of the norm of sovereignty was apparent, for example, in the way in which reformists and liberals were accused of being conspirators or Western agents. In Syria, oppression of the Damascus spring started with remarks by Information Minister Adnan Omran speaking to journalists in Damascus on 29 January 2001 accusing the reformists all over the Arab world as being conspirators of the West. According to him, neo-colonialism no longer lies in armies, but in foreign financing of the dissidents. Syrian intellectuals who were engaged in 'the Damascus spring' forums were attacked. Similarly, in Egypt, the main accusations made against the famous human rights activist, Saad Eddin Ibrahim, were based on his Western funding.[703] In 2005, after the US initiated funding for the Syrian external opposition, Bashar gave a verbal warning to prohibit contacts with foreign governments. Syrians engaged in NGOs were also prohibited from attending international conferences.[704] Particularly after the Hariri investigation and intensified coercion, delegitimation of Western policies, including democracy calls has

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[700] See for example "Mubarak Son Offers 'Arab Vision'", *BBC*, 19. September 2006. President Hosni Mubarak's son has said Egypt must offer a new political vision for the Middle East - one not imposed from outside, but based on Arab values.
[701] George, *Syria. Neither Bread nor Freedom*, p. 32.
[702] Beck, Martin. "Pariastaat" Syrien: zwischen externem Druck und internem Beharrungsvermögen. GIGA Focus 7/2006, pp. 6-7.
[703] George, *Syria. Neither Bread nor Freedom*, pp. 47-48.
[704] Interview with an American NGO activist, Washington D.C, 29. March 2006.

from external actors such as the US. Such an example is the Bahrain Forum for the Future, an independent institution recently established, to which Western and Arab governments donate, and which then again further allocates aid to civil society projects.[707]

- Limiting, minimizing and manipulating the effects of the projects

More common than prohibiting projects is limitation, minimizing and manipulation of projects. If Western-funded projects are accepted, as is often the case in more semi-authoritarian states, the states still use the strategies of limiting, minimizing and manipulating the effects of the projects. Limiting, minimizing and manipulating the projects can be first achieved by channelling the efforts of external actors into areas where the effects of their projects can be contained. Projects therefore take place often in the fields of education, women rights and family planning, for example, instead of highly political fields such as human rights, political parties and election monitoring. The work of the projects is also often interrupted, harassed or prevented by some other means, such as arrests. Currently, Syria has prohibited almost all EU projects, so there is no need to minimalize the influence or overcome effects. Previously, the few projects that were assisted with Western funding faced coercive policies from the regime.

- Monopolizing projects by government circles or circles close to government.

The most effective way of limiting the effect of a project is actually the strategy of monopolizing it close to the government circles. Monopolizing may involve, for example, either limiting access to foreign funds to circles close to the government, or controlling access to information about such projects.[708] The most commonly used method of controlling foreign funding and minimizing the impact of projects has been the application of old corporatist strategies to new situations: corporatist networks, through which

[707] Interview with a US diplomat, Washington D.C, 29. March 2006.
[708] Carapico, "Foreign Aid and Promoting Democracy in the Arab World", pp. 379-380.

the regimes provide employment, services and benefits in return for political loyalty are used to distribute foreign funding. In this way, the regime acquires extra funding for these loyalty networks and guarantees that the actors involved do not challenge the state. The funding of economic reforms stands a high chance of being used to support a regime's power base, as most of the actors involved in the economy have close links with the government.

A common strategy is also the creation of NGOs that are dependent or close to the regime. The regimes have directly created NGOs (more commonly called GONGOs) and adopted or co-opted existing NGOs and their agendas. In Syria, the few new NGOs, working with women's issues, were created by the first lady and are not, therefore, independent. In Egypt, the government has adopted and co-opted numerous NGOs using many strategies in the process. Throughout the Arab world, the latest development has been to establish 'national councils' and 'national commissions' in the field in which much of the civil society funding is directed. The governments have adopted and incorporated these sectors and actors by bringing them under umbrella organizations, ruled by persons close to the regime. In Egypt, for example, most foreign funds are channelled into the sectors for women's issues and human rights. The regime created The National Council on Human Rights, lead by Boutros-Boutros-Ghali and the National Council for Women, lead by the first lady Suzanne Mubarak. In the women's sector, in particular, the NGOs have little ability to receive funding if they are not co-operating completely with the organization and the agenda of the first lady. The foreign funding largely goes to the National Council for Women.[709] This money is no longer supporting an independent civil society, independent organizations or participation. This does not diminish in any way the impact these councils and NGOs have on the particular issues on their agenda, but civil society support to these actors is not democracy promotion any longer. The EU with many other donors seems to have already accepted this reality and are planning to work with GONGOs in the

[709] Interview with Sanna Negus, a Cairo based journalist, Cairo, 20. November 2004.

future, for the sake of increasing dialogue between the state and other actors, although close to the regime.[710]

To conclude, these strategies of adopting some democratic policies and discourse, delegitimizing democratization pressure, prohibiting concrete projects, limiting their effects and monopolizing projects have ensured that the foreign funding for democracy support is not in danger of affecting the state power, regime security or power balance within the country. Democracy support in the Arab world has therefore been very inefficient.

If the state has been allied to a Western power and is dependent on foreign aid, receptiveness to Western economic reform and democracy promotion projects, such as civil society support, increases. This is because regimes 'omni-balance' their external and domestic constraints and needs and sometimes accord concessions to their external financial supporter for other benefits. The effects of support for economic liberalization are clear and have been discussed elsewhere. The political concessions can be symbolic, such as an increase in pro-democracy rhetoric, or more substantial, yet not meaningful, such as the adoption of some democratic institutions including elections, opposition parties and free media. Although this semi-authoritarian development increases liberalization, it is not to be confused with democratization. Quite the contrary, it is often pursued to increase state power, which for some domestic reason has been diminished. The external actors therefore in the best case only aid the re-stabilization and re-adjustment of the power base of the regime and strengthen it. In the Syrian case, some indication exists of the beginning of a development towards semi-authoritarianism, if reforms were to be pushed further. This semi-authoritarian strategy benefits the state institutional capabilities. The economic liberalization strategy boosts states fiscal capabilities.

Often simultaneously with the adoption of reforms, states reject external influence and accuse external actors of foreign interference and violation of

[710] Interview with a European diplomat, Brussels, 9. October 2006.

their sovereignty. In addition to rhetorical expression, in practice this is apparent when regimes accuse their opposition of being Western agents. This delegitimizing strategy is used both by states allied with Western powers and those against which coercion is used. This was the main Syrian strategy from 2005 particularly. States also prohibit concrete projects by NGO legislation that prohibits foreign funding, or by repressing the NGO activists. They also limit, minimize, manipulate or monopolize projects, for example by forbidding projects in politically sensitive fields or by limiting the foreign funding to those close to the state. The most effective way for the states to overcome foreign democracy pressure has been creation of government controlled NGOs instead of free NGOs, or more recently, the creation of "national councils". These strategies ensure that the democracy promotion projects on the ground benefit the regime and their financial support base - in other words, the state's financial capabilities increase as the instruments of allocation widen and the legitimacy of the state is boosted by the rhetorical opposition to foreign interference.

It is suggested here that external pressure on democracy can lead to some concessions and development of semi-authoritarianism if there is a need to preserve the alliance with the external actor and receive aid, but not to the extent that it would endanger regime security. These strategies mentioned are designed to boost the fiscal and institutional capabilities of the state. This is why true democratization assisted by external powers has not appeared in the Arab world.

6.4 Conclusions

The reason for which there has been no democratization in the Arab world assisted by external actors is that a) the Western actors have not really promoted democracy in practice; and b) the states in the region have been able to successfully overcome the moderate attempts to influence. In the end, the external actors have at best assisted the strengthening of state

power, which has, although sometimes increased liberalization, indeed also stabilized authoritarianism.

This is concluded by studying how engagement, coercion and external democracy promotion can promote or undermine state power. They can affect the fiscal, coercive and institutional capabilities and the autonomy, efficiency and legitimacy of the state to varying degrees.

First, coercion clearly promotes such state responses that strengthen state power. Although the aim of coercion with respect to the domestic developments within a country is often specifically to pressure the regime, weaken it and create room for bottom-up change, this is most often not what happens. The external actors are able to weaken state power, but the state is able to overcome it. The external military and political pressure can create a lack of legitimacy domestically, as happened in the Syrian case, and although this can cause some weakening of institutional powers and efficiency, states can balance this weakness by fiscal capabilities - that is, by allocation and co-option, or by coercive capabilities, encompassing the tightening of control and arrests. Increasing legitimacy and national unity is also easy in the face of external pressure. Military and political coercion therefore does not, in the final analysis, reduce authoritarianism.

External economic pressure, such as drying up of states' external revenues, as was the case in the application of US sanctions against Syria, could affect the fiscal capabilities of the state (although did not in this particular case). Such acts could indeed weaken state power significantly and cause questions of regime stability. Syrian fiscal capabilities were positive during this period of external pressure, and it is not possible to say how the regime of Bashar would have managed had its external revenues dried up. Although the empirical studies in this research do not cover such a case, it is suggested that most probably none of the Arab states would fall or democratize in the face of this kind of coercive pressure. This is because the state would still have the coercive capabilities in place and the all-powerful security sector would in the end guarantee the regime's survival. This would substitute the

lack of fiscal capabilities and narrowing of the power base of the regime. Also, the example of Saddam's invasion of Kuwait in 1990 demonstrates that states are able to find alternative sources of external revenues. As a result of intensive economic coercion, the authoritarianism would most likely increase because state power would rely on narrower coalition. This is what happened in Saddam's Iraq in the 1990s and in Syria during the period of external pressure related to Lebanon from 2005.

Secondly, engagement appears to promote some economic and political reforms if there is domestic demand for them. Assistance for economic reforms appears to be the most efficient manner to promote change in practice. However, this change serves the interests of state power, because the economic liberalization is pursued in order to strengthen the fiscal capabilities of the state. Foreign aid is often conditional and tied to debt payments, which makes it impossible for the regimes experiencing economic difficulties to overcome the external influence on their economic restructuring completely. Although conditionalities used with foreign aid for structural adjustment weaken the sovereignty of the states to pursue such economic reforms that they wish, mostly the economic reforms are conducted in as controlled and as limited a way as possible to secure the regime and serve the purpose of their socio-economic designing. Economic liberalization has not brought political reforms, only some steps in a semi-authoritarian direction, which has only served to re-organized the support base of the authoritarian state. This has been proven by numerous studies.

Support for economic liberalization can, however, weaken state power as well. The economic liberalization demands often lead to some adjustment of the economic reform program, which can weaken the ability of the state to use its traditional means of socio-economic designing for power balancing. Use of allocation, co-option and patronage can become more difficult and there is a lack of efficiency and legitimacy. Economic liberalization can also weaken institutional capabilities. For example, pressure for economic liberalization related to debt repayments or assistance in economic restructuring can cause intra-elite conflict and reduce the institutional

capabilities of the state and the efficiency in implementing economic policies as was the case in Syria. Also the regime-opposition divide can reduce the ability of the state to act efficiently in pursuit of the designed policies. The legitimacy of the state can be questioned if a state follows vocal external pressure for reform. This can happen particularly if there is already resentment among the public related to the alliance with the external actor. Although external actors may engage with and support economic liberalization, which would weaken state power when it comes to fiscal and institutional capabilities, in the end, the coercive capabilities of the state would be used to balance the weakening of the state and, again, authoritarianism would be stabilized.

On occasions, the external support for economic liberalization can also be directly beneficial to state power. If there is a domestic need for economic restructuring and a shift in the power balance to ensure regime security, external aid channelled close to the regime or its patronage network can be very beneficial for the state. This is the case, for example, in situations in which the state directs the foreign aid to small and medium size enterprises or to administrative reform by actors close to government circles. This strategy is frequently used by the state to overcome the effects of foreign pressure on democratization.

Thirdly, engagement with demands for democratic reforms can promote minor political reforms. Especially if the countries are aid-dependent, the external actor can condition aid in return for some political reforms. This is, however, not often possible in the Middle East, where the external actors have regional strategic interests that they safeguard with their conditional aid. Recently, the US has called for political reforms in Egypt in exchange for alliance, and this has met with some, but little, compliance the Egyptian state. Similarly, it is clear to Syria that deeper engagement with the EU requires some changes to the political system. The responses of the state create something that is often called "window-dressing of democracy" for external eyes, steps in a semi-authoritarian direction. It has already been concluded that semi-authoritarianism, although increasing liberalism,

mainly only serves to stabilize authoritarianism. It enhances the institutional capabilities and the efficiency and legitimacy of the state.

Fourthly, engagement with democracy assistance does not support democratization in the Arab world. This is because states have created sophisticated strategies to overcome the effects of civil society projects. Foreign aid to civil society has not enforced civil society or weakened state power.

Although the effects of foreign pressure or engagement for democratic reforms have not decreased authoritarianism, they have assisted in increasing liberalization, both economic and political. The role of the private sector has increased and a marginally broader section of society is involved in commercial economic activities where the state control has decreased and restrictions diminished. Semi-authoritarian development has created some liberal political institutions, elections are perhaps being held and the media is in some cases freer. Civil society support has in some countries increased the number of NGOs and the activities of civil society. Demands to follow international norms of human rights influence the ability of the state to use its coercive capabilities against opposition, when the regime has to take into consideration possible international criticism while quieting opposition by means of arrests, torture or by using army or police forces to end demonstrations. This can restrain the use of force of the regime but increase liberalization. All this is positive, as long as it is borne in mind that none of this liberalization has increased democratization or decreased authoritarianism.

The few liberalization moves in the Arab world can be contributed to some extent to the engagement of external actors. Perhaps more than a result of external actors' practical policies, however, it has been caused by globalization of the hegemony of the liberal economic order and liberal democracy. Some Arab states have adopted certain features that help them appear pro-Western, exhibiting stable economic and political systems

suitable for foreign investment and Western cooperation, while still maintaining the political status quo.

How did the coercion, engagement and democracy support *influence Syria?* As already mentioned, the US and later the dual US and EU coercion affected state power by reducing legitimacy. The president was able to overcome this very efficiently by uniting the nation in the face of foreign pressure by using aggressive rhetoric. The Syrian regime used Syrian and Arab nationalist and anti-American rhetoric successfully to increase its legitimacy.

The economic coercion policy did not affect the fiscal capabilities, but it could have done so, had the EU put the planned sanctions in place against Syria. These did not reduce authoritarianism - on the contrary, the military coercion and isolation increased the use of coercive capabilities. The coercion affected mostly the institutional capabilities of the state as it created an intra-elite conflict that reduced efficiency. The irony is that even this did not serve to for reduce authoritarianism or even increase liberalization because it postponed or hindered the economic and political reforms that Bashar was aiming to promote that would have made Syria more semi-authoritarian in nature. Authoritarianism increased because the political elite behind the regime became narrower. External coercion influenced top-down reforms negatively, and had no effects on bottom-up reforms, because demands from below were being contained by the coercive capabilities of the state.

Engagement with the EU influenced Syrian state power, particularly the efficiency of the state. The association agreement negotiations clearly aided efficiency. They supported the president line against the old guard in the intra-elite conflict and helped to a small extent to balance Bashar's power position. The assistance in administrative reforms and economic reforms would particularly have boosted efficiency. The contribution is difficult to assess, however, as the US coercion and later the coercion by both of the

actors intensified the intra-elite conflict and clearly instigated a setback to efficiency and the pursuit of reforms.

The promotion of economic liberalization has not yet had time to have a great impact. In the future, economic reforms assisted by external engagement with the EU would however contribute to the fiscal capabilities of the state in the long term. Aid in pursuing restructuring would lessen the losses of the losers of privatization and help private sector development through aid to small and medium size enterprises. This economic liberalization would of course break some of the old structures created by allocation, co-option and patronage, but the state is suspected to adopt and use some of the old strategies in the new economic setting.

Civil society support by external actors has not had much positive effect. What the civil society support has done is to show the regime the importance of civil society development for the EU and therewith enhanced the regime's strategies of creating its own NGOs to respond to the EU's policies. When the EU shifted to a coercion policy, the external involvement made the regime more suspicious of civil society actors. Without the move to coercion, the state would have most likely accepted civil society projects and funding and training of NGOs, but countering strategies would have been used to minimize and monopolize their effects.

Engagement has not had a large effect on the use of the state's coercive capabilities in Syria. The engagement with the EU has not significantly affected the willingness or capabilities of the state to use surveillance, detentions, arrests and other means for ensuring stability.

In the end, the coercion policy created intra-elite conflict, narrowed the power base of the Syrian state and enhanced authoritarianism. It hindered implementation of some economic and political reforms that the regime had planned to carry out, and therefore hindered semi-authoritarian development and some liberalization of the political sphere. Engagement did not manage to have a great effect on these circumstances, and although the association

agreement practically promoted some reforms, the effect was downplayed as a result of the coercion policies.

The overall effect of the external powers, the US and the EU on Syrian political and economic change from 2000 to 2005 is that they enforced authoritarianism. This is despite the fact that by end of 2005 the Bashar regime appeared highly fragile or even at the brink of falling. There were some estimations that the US and EU coercion in the height of the pressure related to Hariri-investigation would have the effect of destabilizing the country and the regime. The state powers were indeed weakened. Because of the ongoing reform process, the opposition was to some degree activated, there was an intra-elite conflict of some kind and the country was experiencing some level of re-bargaining of political and economic power, although a very controlled one. Although the reform process itself created a slight decrease in state power, the state powers were still in place, and with a mixture of strategies including the use of coercive capabilities and boost to its legitimacy, the threat of instability was easily eliminated. The price was the increase in authoritarianism and end to reforms.

In the long term, there is no democratization in sight aided by external actors in the Arab world. Rather, the question is about external actors' aid to a process in which the Arab states are adapting the old state-led economies and monarchist, or close to socialist, political systems to the age of globalization to ensure the creation of economic wealth and political stability. The result of engagement and moderate democracy promotion, combined with the domestic need for changes seems to lead to semi-authoritarianism. The states who are less subject to the pressures from engagement also seem to take steps towards semi-authoritarianism, or something closer to the 'China model', in which the free economy exists side by side with authoritarianism. This would appear to prove that there are very similar strategies used by the Arab states of adaptation to the current global order, despite the level of engagement, as was the case with adopting the first steps of 'Washington consensus' as a cure for the debt crisis. The

closer the alliance and the deeper the aid dependency, the more the Arab states appear to take steps towards semi-authoritarianism.

7. Conclusions: Reflections on sources of authoritarianism and the future of the Arab state

The aim of this thesis was to "research the influence of the main aspects of the external environment on state power in Syria and show in which way the external level provides explanatory potential for authoritarianism or changes in it." This was conducted by studying the effects of the main aspects of the external environment, which were considered to be the external security and fiscal environment to the resources of the state, namely the fiscal, coercive and institutional capabilities. These capabilities defined the strength of state power - in other words, the autonomy, efficiency and legitimacy of the state. The hypothesis of the research was that the external influence has aided the development of, and maintained the strength of, the state power to such an extent that it has contributed to the prevention of the development of participation in Syria. The external environment has therefore aided and maintained authoritarianism. This argument is presented as an explanation for much of the high level of authoritarianism in Syria.

The Syrian security environment was very hostile from 1970 as a result of the Arab-Israeli crisis. Although the war preparation that followed was costly, the first conclusion is that due to the availability of external resources, it was not costly enough to necessitate domestic extraction and broadening of participation. Syrian war preparation was intense, peaking during 1979-1983 when military spending including arms imports varied between 27% and 38% of the GDP. However, the fiscal capabilities of the state were assisted by foreign aid and fuel export income, and they covered most of the military expenditure, to such an extent that war preparation did not create a fiscal crisis. According to the analysis in this research, the external revenues contributing to the state were an average of 20.1% of GDP in 1974-1982 and 11.4% of GDP in 1983-1989. At their lowest, the external revenues were only 0.3% of GDP lower than the military expenditure in 1979 and at their highest, 18.6% of GDP in 1983. In comparison, the annual average of domestic extraction covered 94.5% of military expenditure in

1973-1989, which shows how impossible even a modest war preparation would have been without the external revenues. This is why war preparation in Syria did not lead to increased domestic resource extraction and did not therefore alter the power balance that would have required increased participation. In striking contrast to Egypt and Israel, Syria did not have enough costly wars and war preparation to have been forced to resort to opening the political and economic system.

Secondly, from 1970, war preparation greatly affected the coercive and institutional capabilities of the Syrian state and the creation of the authoritarian political system and its institutions. As a matter of fact, war preparation created most of the coercive capabilities of the state and brought the coercive apparatus under the single rule of the president, helping the state to create a monopoly of violence, repress opposition and ensure that the military was disengaged, preventing threats of coups from the army. The threat of war increased manpower in the army and the domestic intelligence services, and lifted the importance of the security apparatus in the state to such an extent that Syria can be said to have created a security state. Army recruitment was also a means of tying interests to the state, which broadened the support base of the regime. The security apparatus became one of the three pillars of the state. War preparation also assisted the concentration of power and strengthened the position of the president as an authoritarian ruler, assisted by the hierarchical power relations with the Ba'ath party, which interlinked with the army. This greatly enhanced the creation of 'the three pillars of the state': the rule of the president, army and the party over political institutions. War preparation also affected the political culture and created legitimacy for the Syrian state under Asad.

Availability of resources from the external environment helped the state to build a state-led economy and use economic strategies for domestic consolidation that were typical to rentier states. During the height of the Cold War, Syria may be viewed as close to a semi-rentier state economy. Syria gained external revenues from foreign aid (an annual average of 7.7% of GDP in 1974-1989) and fuel exports (an annual average of 8.7% of GDP

in 1974-1989). Although the aid revenues were significantly high at the end of the 1970s, during the entire period, fuel revenues were higher because of the drastic decline in aid revenues in the 1980s. Thus far, research has emphasised the aid revenues and there has been insufficient emphasis on the fuel export revenues already notable during the Cold War period.

During the consolidation period of the Asad regime, and during the build-up of the authoritarian structures, the external revenues from foreign aid and fuel exports started flowing, which aided in building a state-led economy, including rentier features, such as allocation and co-option. With this economic restructuring, the state demolished the old class structures and the important role of the Sunni bourgeoisie and created a new, state-dependent bourgeoisie that allied the interests of the political power and economic interests and eliminated challenging social groups. Indeed, the state-led economy and the socio-economic structures that were created during this era by large state employment and co-opted bourgeoisie were the one other most important reason for authoritarianism, in addition to the rule of 'the three pillars of the state'. In the 1980s, the external revenues declined and the fiscal capabilities declined accordingly. This was apparent in the debt crisis and a limited economic adaptation that followed, that gave more room for the private sector. This, however, did not change the rentier features or the political power structures.

During the 1990s, Syria's external environment changed dramatically, after Syria lost its Cold War ally, source of superpower protection and aid, as well as the front-line position in the military confrontation with Israel after bilateral peace agreements between Israel and the Palestinians and Israel and Jordan were signed. Although both the reasons (intense war preparation and high levels of foreign aid) that were described to have aided the creation of an authoritarian state disappeared, Syria was able to adapt well to the new circumstances in the external security and fiscal environment.

The primary reason would appear to be the fact that in the 1990s, external revenues mainly from fuel export revenues increased the fiscal capabilities

to such an extent, that major economic restructuring was not necessary for maintaining state power. The overall external revenues contributing to the state were almost at the same level in the 1990s as they had been at the end of the 1970s and beginning of the 1980s: an annual average of 18.6% of GDP. Of that, fuel export revenues contributed an annual average of 16.3% of GDP. Although the low levels of aid revenues and increasing revenues from fuel export income have been well recognized, the fuel export income in the 1990s seems, however, to be more important to Syrian fiscal capabilities than has been thus far acknowledged. Again, Syria can be considered close to a semi-rentier state economy in the 1990s. The importance of the external revenues increased in relation to domestic revenues by around 5% of GDP. This, combined with the decline of spending on war preparation, would indicate that Syria was more rentier in the 1990s, and that the fiscal powers of the state actually increased. This finding is significant in explaining the ability of the Syrian state to resist economic liberalization and external influence, and to continue on its authoritarian and isolated path also in its security policy, in contrast to many other Arab states. The fiscal powers were sufficient to continue with the allocation and co-option policies. They were also enough to guarantee the tools for efficiency in socioeconomic designing if needed.

As a result of the peace processes, the need for war preparation declined. From the end of the 1980s, there was also less aid available to Syria, which immediately led to a decline in spending on war preparation as continuing military build-up at the same level would have affected the fiscal resources of the state. Because the fuel export revenues rose significantly, they buffered the fiscal capabilities and funded the rest of the declining war preparation expenditures. Indeed, the reduction of war preparation expenditures increased the fiscal capabilities of the state from the earlier Cold War era. The fiscal powers were such that they allowed Syria to adapt to the regional changes and a new era of hegemony of liberalism that started in the 1990s by maintaining domestic structures mostly intact.

The reduced war preparation effort did not reduce the coercive capabilities of the state, however. The reduction appeared mainly in arms imports, and military expenditures decreased only marginally, which indicates that the coercive establishment continued to function almost at its previous magnitude. As the coercive apparatus was in place and fully institutionalized, the change in the regional security environment did not affect the coercive powers, except possibly by giving them more room to operate for domestic security. The state structures were institutionalized - in other words, the institutional capabilities were in place and the state was consolidated, thus changes in the security environment did not affect the institutional powers and the rule of the president, army and the party. The impact of the end of the Cold War and the rise of liberalism did not greatly affect Syria. Neither did the peace negotiations with Israel affect the legitimacy of the state, because the urge for peace by political means was considered a victory.

Increasingly from 2000, the external security environment worsened for Syria. Syria's regional and international position was now defined by the hostility of the hegemonic superpower, the US and to a lesser extent the EU. Syria became isolated as a result of the US war on terrorism, lack of a peace process, war in Iraq, the shift in regional power balance that followed, and the murder of the Lebanese Prime Minister Hariri. The US pressured Syria militarily and with economic sanctions, which the EU joined towards the end of the study period. Syrian foreign policy came under largely unseen pressure, and the nature of the threat became more directly focused on the regime itself.

The external security environment from 2000 mainly affected the institutional capabilities of the state. For the first time since the 1970s, institutional capabilities were reduced. This was not primarily due to the external environment, but rather the change in leadership with the new president and the intra-elite conflict that followed. The institution of the presidency had been highly personalized, and thus Bashar's legitimacy was bound to the legacy of his father. After Bashar al-Asad carried out economic

reforms in contradiction with his father's legacy and shook the status quo, he faced some opposition and questioning of his rule from the political establishment formerly tied to his father. There was an intra-elite conflict and the institutional capabilities of the state powers weakened. For the first time since the establishment of the authoritarian state, the policies of the president were questioned.

The external environment, however, contributed to the reduced institutional capabilities and undermining of the position of the president, first by a predicted reduction in the availability of external resources and second by external political and military coercion. The president was alarmed by the prediction that fuel export revenues would most likely be exhausted by 2010, which according to the analysis presented here, based upon the latest revenue levels, would mean a 20% decrease in GDP – a scenario sufficient to scare the regime into further liberalization and to continue supporting the growth of the private sector. The predicted decline in fiscal powers led the president to pursue economic reforms that were intended to be restructural. This turn in economic policies contributed to the intra-elite conflict, which weakened the institutional powers of the president and the efficiency of the state in its pursuit of policy changes. This way the external fiscal environment affected the institutional capabilities, namely those of the president and the balance between the 'three pillars'.

The external military and political coercion caused concern in the political elite surrounding the ability of the president to harness benefits from the external environment through foreign policy. As a matter of fact, he faced opposition to many of his decisions, and the increasing isolation reduced the legitimacy of the president within the party and intensified the intra-elite conflict. There was also a small increase in opposition to the regime from different sectors of the society, but the regime used coercion and was able to regain its popular legitimacy by using the external threat, nationalism and anti-Americanism to unite the population. Indeed, there was no change in the coercive capabilities of the state.

Although the external pressure against Syria included economic sanctions, they had no real impact. In fact, the fiscal capabilities increased, and they were sufficient to maintain the stability and legitimacy of the state during intense external pressure. After 2000, external revenues to the state were actually at their highest, contributing an annual average of 19.8% of GDP. Fuel export revenue was almost the sole contributor to this figure, with an annual average of 19.2%. Foreign aid to Syria had indeed run almost completely dry. Syria can well be considered increasingly as an example of semi-rentier state economy from 2000. As there was almost no extra spending on war preparation, the fiscal powers of the state have been significant, especially given the accompanying increase in domestic revenues. The high fiscal capabilities explain the stability of the state power in the face of the external pressure. As a result of these fiscal resources, there would not have been any great urgency for any major economic restructuring or liberalization. These revenues assisted the ability of the state to start economic reforms to prepare for the post-oil era without any major threat of instability.

The hypothesis of this research appears to be correct: the external security and fiscal environment have aided the development of, and maintained the strength of, state power in Syria. The Cold War era and particularly war preparation and the fiscal means available for this purpose provided the capabilities to build the authoritarian structures. In the 1990s and since 2000, the fiscal capabilities boosted by fuel export income provided the means to maintain these authoritarian structures, without an urgent need to adapt the domestic political system to the era of Middle East peacemaking, liberal hegemonic world order or globalization. After the creation of state power and the completion of the main stages of state-making, contrary to the European experience, Syria as many other Arab states did not encounter a need to share power and increase political participation. From 2000, although the fiscal capabilities were better than ever, changes in state power were apparent for the first time. The external environment contributed to those changes: the future of the external revenues no longer seemed secure, and the external political pressure on Syria was severe, which contributed to

the implementation of a limited number of reforms and an intra-elite conflict that slightly weakened the power of the president.

The external actors during the Cold War added to the development of authoritarian structures in Syria, as well as in other Arab states. There was very little direct political influence on domestic political systems by the Cold War superpowers in the Middle East. At the same time, the superpowers safeguarded the regimes of their allies by means of their military protection. Syria received military aid and protection for its war preparation from the Soviet Union. The Soviet aid, supported by aid from the Gulf states contributed particularly to the growth of the coercive capabilities of the state.

After the Cold War, there was a complete lack of promotion of democracy and liberalism in the Middle East by the hegemonic powers, the US and the EU, which failed even to push their allies to democratize. There was no constructive engagement with these external actors in Syria in the 1990s or later, and therefore they had no influence on Syrian domestic economics or politics.

It seems that engagement indeed enhances the capability of an external actor to pressure the ally towards some steps in building democratic institutions, and to assist the economic liberalization process through the application of conditionality. This has created some semi-authoritarian development in countries allied with the US, states that have some democratic institutions but no democracy. Since democracy promotion was lifted to the top of the agenda of these actors in the Middle East in 2003, the pressure has contributed to some steps that have further enhanced semi-authoritarianism. The effects of engagement were also apparent in the Syrian case. Between 2000 and 2004, Syria engaged increasingly with the EU. This contributed to the direction of economic reforms particularly, and increased the willingness of the president to consider some small steps on the semi-authoritarian path. This had some effect on the fall in institutional capabilities and efficiency. However, the external influence added to the intra-elite conflict. The modest

EU aid in promoting civil society and democratization otherwise did not bear any great impact, due to the short period of constructive engagement and the ability of the regime to prevent or overcome the effects of EU projects. The pursuit of reforms in Syria was domestically initiated and motivated and dried out as the EU joined the US in coercion towards the country. The Syrian case proves perfectly how intense external coercion ends the pursuit of political reforms.

The Syrian case also shows how states use the external environment for enhancing its capabilities for strengthening state power. On the other hand, states seek to stop or overcome external influence that would negatively affect them. The Arab states have used sophisticated strategies to overcome external democracy promotion attempts. The most common form has been the adoption of some democratic policies and discourse. Aid-dependent countries particularly have chosen the semi-authoritarian path and they are more receptive to projects by external actors. This is, however, an omni-balancing act which guarantees the interests of the state in terms of external aid and political support and safeguards the state from external pressure. Most often the adaptation of some democratic policies is also a domestic balancing act, which serves the purpose of guaranteeing state power challenged by domestic opposition. Flirtation with democracy is therefore in the interest of the state and not a sign of a true democratic spirit. Non-aid dependent states like Syria have mostly not had the need to use this strategy. However the country's engagement with the EU in 2002-2004 showed some adaptive behaviour, such as liberalization of the press and an initiative of introducing local elections.

A more common response by a non-aid dependent country to external democratization pressure is to delegitimate it as intervention and a violation of sovereignty. In addition to hostile rhetoric responses, this strategy is apparent, for example, in the way states confront civil society actors, accusing them of conspiracy. States also prohibit projects by external actors by NGO laws governing foreign funding and limiting donors' ability to distribute aid by other means. In states which allow projects funded by

external actors a common strategy is to limit, minimize and manipulate the effects of the projects or to monopolize the projects close to government circles. In practice, projects are limited to less sensitive fields of education and family planning instead of areas such as election monitoring. States also use the old allocation networks to channel the new external project funding to small and medium size enterprises to the old loyalist businessmen, for example. External aid for civil society support is often channelled to GONGOs, the government organized NGO', which guarantees the monitoring of their activities. Due to these strategies, the results of external democracy support in the Arab world have been almost non-existent.

The main contribution of this study to the field of Middle East research is the finding that the external environment of a state does have an impact on the political system, and the analysis of the external environment should be taken into consideration while researching the level and nature of authoritarianism, democratization or liberalization processes in the Arab world. In academic research related to authoritarianism and democratization in the Arab world, so far the domestic level of analysis has been dominant, and almost no room has been given to the aspect of the external influence, or the influence has been denied. This research has also provided data that has specified some findings of earlier research.

This research has added a layer to explaining the causes of authoritarianism by showing the importance of the external level. The main theories, rentierism and theories related to war preparation have been referred to earlier, but not systematically analysed. Rentierism in particular has not been seen as an external factor. The analysis of rentierism has often lacked a view on how the rents are products of external environment, and constrained by it. Foreign aid is strategically motivated, be it for militarization or for economic reforms. It is influenced by the motivations of the donor, and it always demands some omni-balancing of interests from the state receiving aid. Foreign aid is always simply highly political, be it unconditional or conditional. Similarly, the fuel export revenues are a product of trade, which always create interdependency with the trading partners. This

interdependency gives means for bargaining or pressure, which can be politically motivated. The pressures can vary from threats of sanctions to setting the price of oil.

During recent years, in policy-oriented research, vague references to the importance of regional insecurity to the lack of domestic reforms have become popular. In the Syrian case, the external influence has been considered increasingly important in recent years. For example, the Carnegie Paper says that the external environment and domestic position of the regime "are entangled to a much greater extent than in any other country in the region except Iraq..."[711] Despite the recognition of the value of the linkage between external and internal, there is very little conceptualization on how the external actually affects internal political systems or changes within it.

In addition to proving the impact in the Syrian case and emphasising the recognition of the need to focus also on the external factors, this research has provided a contribution to the conceptualization of how external factors can bear influence, and one option for a method of research. The framework of analysis created can also be generalized to fit to any other country, and many of the specifics of the Syrian case also fit to other Arab states, that to some extent benefit from rents and are troubled by an unstable regional security environment.

Because of the rapidly globalizing world economy, growing interdependencies and diffusion of values, it should be clear that although the Arab states have been successful in resisting the impact of factors outside their borders, this does not mean that external factors can not affect their country. As a matter of fact, they influence the states and their populations to a great extent, and only some of the areas have been studied here that affect the political system most. Indeed, there is a lack of focus on

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[711] "Reform in Syria: Steering between the Chinese Model and Regime Change". *Carnegie Papers*. Middle East Series. Washington DC: Carnegie Endowment for International Peace, No. 69, July 2006, p. 3.

the inter-linkages and inter-dependencies between the domestic level and the regional and international level in Middle East research.

In order to say few words on the general development of the Arab state structures and scenarios for the future, the following can be noted. The Arab states - like most third world states - were granted their sovereignty by the international norm of right for self-governance without a proper state-making process or state-making wars that would have determined the borders, the ethnic and religious composition of the state, the unifying ideology, a coherent civil society and domestic-born political institutions. The state-making process, the process of acquiring state powers under one sovereign rule took place in a very insecure regional environment. Because of the external threat, the capacities of the state became perhaps stronger than they would have become otherwise. At least the concentration of power under authoritarian rule and building of structures that guaranteed domestic stability, were clear products of this external threat and need to maintain sovereignty. It is often stated, that as long as the Middle East remains unstable, the authoritarian states will remain. This argument can be taken much further. In order to serve the power balance of the dominant classes and groups, because of the enduring authoritarian structures, there is no need to democratize even in the event of more peaceful regional development. In Syria's case, for example, this would mean that peace with Israel would not create a democratization process.

According to Sorensen, states in the third world face pressure that derives from two conflicting international norms. On the one hand, states follow the norm of maintaining sovereignty. On the other hand, the states are obliged to follow the international norm of preserving human rights. Maintaining sovereign rule in societies with sectarian and religious conflicts, economic distress and a significant amount of external threats contradicts the demand to follow the norm of preserving human rights, including political

participation.[712] In the end, the Arab states with their strong state powers are weak states. According to one definition for strong and weak states, strong states should be able to 1) keep monopoly over resources and violence, 2) provide services, and 3) provide political participation.[713] Most Arab states fulfil the first and the second function of a state, but fail to fulfil the third function, that is providing political participation, legitimacy of political institutions, effective and accountable political institutions/governance and rule of law. A failure to fulfil these functions leaves the Arab states weak, with the exception of the almost failed states of Lebanon, Iraq and the Palestinian territories, which can not fulfil even the first function.

There is no reason to believe that the weak Arab states, with strong state powers would be able to fulfil this function of providing political participation in the near or middle term, because of the current power structures. In the future, the external fiscal environment will continue to affect the capacities of the states through fuel export income in oil-rich countries (the Gulf states, Algeria and Libya). The resource rich countries will primarily continue along their authoritarian path, with some minor adaptation to their political systems. Countries with less or no natural resources (Jordan, Egypt, Tunisia, Morocco and Syria) will have to pursue economic liberalization. As a mean of co-option, they are most likely to take steps in a more semi-authoritarian direction by introducing some political liberalization and democratic institutions with no real change in the power balance. Also, the security environment will continue to affect the political systems by legitimizing the centralized leadership, role of the army and need for national unity. Because of the possibly deteriorating security environment, in some cases there may be a greater need to use fiscal resources on war preparation, such as in the Gulf region.

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[712] Sørensen, Georg: *Changes in Statehood. The Transformation of International Relations.* Macmillan: Palgrave, 2001.
[713] Schneckener, Ulrich. "Staatszerfall als globale Bedrohung. Fragile Staaten und Transnationaler Terrorismus". *Internationale Politik,* Vol. 11, No. 58, 2003, pp. 12-13.

The external actors, such as the US and the EU, have the ability to pursue the semi-authoritarian model further in countries that they are engaged with, be they resource rich or resource poor. However, in resource rich countries the effects are likely to remain marginal. In resource poor countries, the scope is greater. In these countries, the external actors should indeed condition their foreign aid and make sure that the economic reforms that they assist benefit the creation of an independent bourgeoisie, and the birth of small and medium size enterprises from parts of society previously not engaged with business or governance. This economic activity not only benefits the business environment but also demands the state to consider the inclusion of the newly emerging bourgeoisie. The aid should also be directed in a way that prohibits the regime to allocate the funds to bodies close to government circles or allow the regime to use co-option strategies. The same applies to aid for civil society.

The external actors should be very consistent with their democracy and human rights demands and use political dialogue to pursue the aim of democratization. When regimes omni-balance their needs, sometimes they have to comply with the pressures of political reforms. This all aids the semi-authoritarian development, and even if it does not lead to democratization, the liberalization of political space is already a step forward and improves human rights. This is all possible only if the external actor in question is constructively engaged with the regional partner. Coercion only prohibits the semi-authoritarian development and urgently needed economic reforms that would ensure some necessary economic growth.

In Syria's case, the future of the political system looks like the future of the resource poor Arab states. Syria is unable to maintain its fiscal powers in the medium-term because of the fall and eventual exhaustion of the fuel export income. This would suggest that Syria desperately needs economic liberalization, foreign investments and foreign aid to compensate the fall of external revenues from the current 20% of GDP. This shows that Syria will be increasingly in need of finalizing the association agreement with the EU

and starting a constructive engagement. Because of the contradicting policies of the US and the EU, in the first half of the first decade of this century, Syria aimed to benefit from the EU engagement without giving up of its regional strategies against Israel. This strategy failed as the EU joined the US pressure. Syria, however, repeatedly stated its interest in continuing with economic reforms and engaging with the EU. As the interests and strategies of the US and the EU still fundamentally differ, it is likely that Syria can continue its engagement with the EU.

This may, however, not be enough for the regime to gain sufficient fiscal resources. A peace deal with a large financial package and engagement with the US is therefore an urgent necessity for Syria the closer the end of the first decade of this century approaches. This scenario would balance the fiscal resources of the state, continue economic liberalization and also give room for the external actors to apply pressure for political reforms. A peace deal and economic growth would guarantee the legitimacy of the president to such an extent that the intra-elite conflict would be history and there would be more institutional capabilities and efficiency to pursue reforms. Syria would most likely take rapid steps in a semi-authoritarian direction.

If this positive scenario fails, coercion policy by external actors continues and Syria has no peace option, Syria could be drawn to regional isolation by closer Iranian alliance and radical foreign policies. In the face of a lack of investments, the Syrian economy would encounter grave difficulties and coercive powers would have to be used for domestic stability. The reform drive would most likely become exhausted and authoritarianism would increase.

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